

THE INFORMAL SECTOR IN THE  
EASTERN CAPE:  
A CASE STUDY OF NEW BRIGHTON AND KWAMAGXAKI,  
PORT ELIZABETH

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ABSTRACT

Recently, researchers have shown enormous interest in the informal sector due to extensive poverty and rising unemployment trend in the South African economy. These problems have worsened in the Port Elizabeth economy, as most entrepreneurs have scaled down their operations or liquidated their businesses due to a structural decline in the manufacturing sector and periodic recessions in the national economy. Undoubtedly, the informal sector has become a reasonable economic alternative as far as income accumulation and employment generation. The present study shows that the informal sector is characterised mainly by self-employment and also the income from this sector has also improved the standard of living of most sampled households in New Brighton and KwaMagxaki.

The aim of this thesis, then, is to evaluate the nature, extent, meaning and influence of the informal sector in the Port Elizabeth Black economy. However, this can only be achieved once the informal sector is placed within the appropriate theoretical framework. This is done by comparing and contrasting the different conceptualisations of the informal sector in the literature.

In conclusion, the thesis combines the different conceptualisations of the informal sector in the literature with the empirical evidence from the Port Elizabeth townships' informal

sector. The important findings of the study are:

- The informal sector is mainly characterised by distributive activities than productive activities.
- Women comprised 62% of the informal sector.
- Economically-active members of the economy are in the informal sector.
- Education levels in this sector are relatively low.
- The informal sector is characterised by one-man businesses with few employees who are also family members.
- There was no trace of migrants in the informal sector.
- The informal sector is characterised by linkages.
- Informal income alleviates conditions of poverty.
- Policies have to be implemented for the development of the informal sector.
- Twenty-three percent of the households in New Brighton were in the informal sector and only 6% in KwaMagxaki.

Although, this study focuses in Port Elizabeth, it is the intention that the results presented will provide a broad overview of what the informal sector is.

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PREFACE

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## INTRODUCTION

One of the most chronic development problems facing the South African economy today is the rising unemployment trend. "Unemployment is the result of an imbalance between the demand and the supply of labour." (Dewar and Watson, 1981:4) South African economists (Bromberger (1978); Simkins (1978); Gilmour and Roux (1984); Levin and du Plessis (1986) and Levin and Horn (1987)) have argued that the cause of high unemployment is not only cyclical but also structural. Structural unemployment is attributed to slow economic growth, high levels of capital intensity, rapid population growth and a mis-match between available skills and jobs.

High unemployment is one of the major causes of poverty and inequality in the South African economy. Clearly, authorities need to intervene and redress this dilemma. "However, the magnitude of the problem is such that in the short-term, ... such measures are unlikely to be adequate ... it is essential that additional forms of job creation be stimulated." (Dewar and Watson, 1981: 4). One such form of job creation is argued to be the informal sector. Interest in the informal sector has been sparked by the International Labour Office's (1972) Kenya Mission Report which recognised the importance of the informal sector in job creation.

Empirical evidence shows that the informal sector is an inherent component of the South African economy and has an important contribution to the Gross Domestic Product. Recently, the South African government announced deregulatory measures towards the informal sector. But the ability of the informal sector to create sufficient employment opportunities and redress poverty is questionable. The problem faced by this research therefore is to give answers to these questions.

The problem is tackled in 2 ways. Firstly, a detailed outline of the different definitions and conceptualisations of the informal sector and a review of informal sector studies in South Africa are presented. Firstly, the dualists view the urban economy as consisting of two separate and distinct sectors which are unlinked. Secondly, the structuralists reinforce the existence of linkages between the sectors. An off-shoot of the structuralists are the Marxists which have abandoned the term informal sector in favour of petty-commodity production. The present research found difficulty with the term petty-commodity production and used the term informal sector throughout the thesis.

Secondly, a random sample survey, as well as case studies of the informal sector in New Brighton and KwaMagxaki were undertaken. The survey provided empirical data to assess most of the theoretical contributions on the informal sector. The empirical

data was based on 100 households. Fifty of these households had informal businesses and the other 50 were without informal businesses thus ensuring a comparison of these households.

The thesis itself proceeds according to the following outline: Chapter 1 is concerned with the theory of the informal sector. Three conceptualisations of the informal sector, namely, the Dualists, Structuralists and Marxists are presented exposing the different interpretations on the informal sector. A review of the South African informal sector is also presented. In this review points of similarity between the South African studies and international studies are drawn out.

Chapter 2 provides a socio-economic profile of the area of study. After outlining the history of New Brighton and KwaMagxaki, the chapter discusses the population, age distribution, education profile, type of employment and work and income of the two townships. This data was collected by the Employment Research Unit at Vista University from 447 households in New Brighton and 100 in KwaMagxaki.

The socio-economic profile provides a picture of the socio-economic conditions under which the informal sector operates.

Chapter 3 prepares the way for empirical evidence. After an outline of the hypotheses to be tested, issues pertaining to

research methodology, survey design, forms of data collection in previous studies, the questionnaire, the pilot study, fieldwork, sampling procedures and the analysis of data are discussed.

Chapter 4 concentrates chiefly on the analysis of data. A comparison between New Brighton and KwaMagxaki is presented. The chi-square test is used to test if any significant differences exist between the two townships.

Chapter 5 examines case studies. A number of theoretical issues discussed in chapter 1 are again tested.

Chapter 6 gives a comparison of households with informal businesses and those without. These results are matched with those presented in Chapter 2 to establish whether they compare favourably.

Chapter 7 concludes the study and recommends policies for the development of the informal sector.

CHAPTER 1THE URBAN INFORMAL SECTOR1.1 INTRODUCTION:

Several different definitions of the Informal Sector have emerged since the term "informal sector" was introduced by Keith Hart (1972). These definitions are partly related to an ongoing debate among alternative schools of thought namely; Dualists, Structuralists and Marxists. There are also disagreements among economists within each of the alternative paradigms. In fact, Moser (1984: 142) argues that there is extensive confusion; "since the utility of the informal sector concept was first recognised, researchers and policy-makers have applied it to a diversity of empirical data and in many different contexts. What has resulted is a complete confusion about what is actually meant by the term informal sector."

1.1.1 The dualistic definition of the informal sector:

Hart's (1972) study of the economic activities of low-income groups in the labour force of Accra introduced the term "formal" and "informal" income opportunities. He characterised formal and informal income opportunities by wage-employment and self-employment respectively. Informal income opportunities

were unenumerated and unorganised, while economic activities in the formal sector were recorded by the state and were run bureaucratically. Hart further subdivided informal income opportunities into legitimate and illegitimate activities. Legitimate activities include the following:

- (a) Primary and secondary production; e.g., farming, gardening, shoe-making, tailoring etc;
- (b) Tertiary enterprises with relatively large capital inputs; e.g., housing, transport, rentier activities etc;
- (c) Small-scale distribution; e.g., petty-traders, street hawkers, caterers etc;
- (d) Services provided by musicians, shoe-shiners, barbers, photographers, traditional healers, brokerage agents and middlemen, mechanics and other maintenance workers,
- (e) Private transfer payments; e.g., gifts.

The main illegitimate informal income opportunities are;

- (a) Services; e.g., hustling, dealing in stolen goods, drug-pushing, prostitution, smuggling, protection racketeering etc,
- (b) Transfers; e.g., pick-pocketing, stealing and gambling.

Hart's (1972) distinction has been criticised because he does not provide criteria by which the self-employed in the formal sector can be distinguished from those in the informal sector. There is also an over-lap between activities which have

characteristics associated with both the formal and informal sectors. For example, informal income opportunities like farming, gardening and building can also be classified as components of the formal sector. Another criticism is based on the inflexibility of Hart's (1972) division to incorporate changing functions of society. The nature of activities in which the informal sector is involved varies with changes in the society. Hart's (1972) distinction between the formal and informal sectors on the basis that the former is associated with wage-earning activities and the latter with self-employment is inaccurate. Confusion arises when the formal sector is characterised by self-employment.

The International Labour Office (I.L.O.) Mission to Kenya (1972) shifted the analysis of the informal sector away from individuals to the nature of enterprises. The aim of the mission was to encourage government commitment to the implementation of full employment objectives. The informal sector was therefore viewed as being able to alleviate unemployment in Kenya.

The Kenya Mission identified the following characteristics of the informal sector:

- (a) ease of entry;
- (b) reliance on indigenous resources;
- (c) family ownership;

- (d) small scale of operation;
- (e) labour-intensive production techniques;
- (f) skills acquired outside the formal schooling system; and,
- (g) competitive and unregulated markets.

As a result of the I.L.O. Kenya Mission (1972), Santos (1979) viewed the informal sector in a different light. He referred to it as a "lower-circuit" economy characterised by:

- (a) Labour-intensive production processes;
- (b) Irregular working hours;
- (c) Small quantities of stock of poor quality;
- (d) Negligible fixed costs;
- (e) Finances from own resources; and,
- (f) Domination by the family.

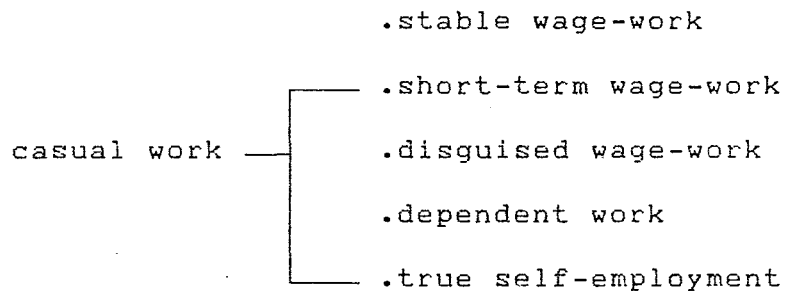
Mazumdar (1976) presents another definition of the informal sector. He concentrated on the urban labour market and argued that the informal sector was "unprotected" in comparison to the formal sector which was protected by trade unions and government intervention. The formal sector wage structure and conditions of service were therefore confined to workers in the job market and were not available to other job seekers unless barriers to entry could be crossed. This was not the case with the informal sector which was unprotected and characterised by ease of entry.

Finally, Weeks (1973b), stressed the role of the state. He argued that the formal sector is recognised by the state and is nurtured through governmental policies such as tariff and quota protection, import tax rebates, selective monetary controls and licensing. The informal sector operated outside these benefits and had no access to the formal credit institutions.

#### 1.1.2 The structuralist definition of the informal sector:

There are two definitions which may be identified within the structuralist framework. The first is based on a continuum of activities. Bromley and Gerry (1979) present a continuum stretching from stable wage-work to true self-employment. The informal sector is categorised as casual work as opposed to stable work. Casual work is defined as "any way of making a living which lacks a degree of security of income and employment. Ways of making a living are considered simply as income opportunities and include ... working for others and self-employment" (Bromley and Gerry, 1979: 19). Casual workers earn low wages and face a high level of job insecurity. The majority of casual workers are in agriculture, artisanal production, small industries, petty-commodity production, personal and domestic services, construction and transport.

The conceptualisation of the continuum presented by Bromley and Gerry (1979) may be simplified as follows



Bromley and Gerry's (1979) conceptualisation recognises the variety of transitional forms of employment between true self-employment and stable wage-work. Casual work is usually associated with high risk thus forcing the individual to change jobs frequently for survival. The income received from casual work varies from being an unpredictable source of survival, to supplementing an inadequate income and lastly, to forming a lucrative source of employment.

The main criticism of the continuum is its failure to show how the informal sector operates and whether it differs significantly with the formal sector.

The second definition of the structuralists defines the informal sector in terms of the linkages that exist between the formal and informal sectors. Bose (1984: 42) argued that:

"The informal sector is constituted by those units and unorganized individual workers who cannot, in the main, take advantage of the formal organized market for capital, inputs or outputs or other services like training. Such units and individuals are forced to operate in a different market where

they have to pay significantly higher prices for whatever they purchase, be it inputs or services, capital or even consumer goods, while receiving significantly lower prices for whatever they sell be it goods or services or labour power. The formal sector and informal sector are thus linked with each other in an exploitative relationship through which the informal sector is forced to subordinate itself to and to serve the formal sector directly and indirectly. This has been perpetuated by the extreme lack of organisation on the part of the informal sector and the formal sector's dominant control over the state machine".

### 1.1.3 The Marxist definition of the informal sector:

Within the Marxist paradigm, the term informal sector is abandoned in favour of petty-commodity production. Leys views the informal sector as " a system of very intense exploitation of labour, with very low wages and often very long hours, underpinned by a constant pressure for work from the reserve army of job-seekers" (Leys, 1975b: 267).

Davies (1979) argues that the informal sector's means of production is owned by informal entrepreneurs. This sector is characterized by rudimentary and horizontal division of labour. "The informal sector represents a subsidiary, peripheral and dependent social formation, its mode of production (particularly its social productive forces and its production and distribution

relations) having to exist within a superstructure which it cannot directly influence" (Davies, 1979: 87).

#### 1.1.4 The definition of the informal sector in Port Elizabeth

The range of definitions on the informal sector reviewed above indicates that this sector is very difficult to define. South African studies on the informal sector have also used different definitions thus reiterating Moser's (1978) stand-point that there is lack of clarity on what actually constitutes the informal sector.

The researcher has discovered that most of the definitions used in theoretical studies are not necessarily suited to empirical research. This necessitated the need to use a definition that would make it possible to operationalise for research. In the present study, the informal sector is, then, viewed as consisting of the self-employed excluding those with professional skills acquired through formal education e.g. doctors and lawyers. The income-generating activities included in this definition are unlicensed thus excluding those recognised by the authorities and required to pay taxes. In fact in practice, this definition ensured a clear distinction between small-income generating activities that are licensed and the informal sector.

For the purpose of this of this study, the term informal sector has been used as compared to petty-commodity production suggested by the Marxists in their definitions. (See Section 1.1.3.)

## 1.2 CONCEPTUALISATION OF THE INFORMAL SECTOR:

A thorough examination of the literature reveals different conceptualisations of the informal sector. The difference is traced back to the ability of the informal sector to create employment opportunities and how it is integrated into the macro-economy (I.L.O., 1972; Hart, 1972).

The following section of the Chapter on the urban informal sector discusses the different alternative frameworks of the informal sector.

### 1.2.1 The dualistic interpretation of the informal sector:

The dualistic economy was viewed by Lewis (1954) as consisting of a capitalist and non-capitalist sectors. The capitalist sector was characterised by modernisation and maintained inter-linking relationships with the outside developed world as compared to the non-capitalist sector.

Geertz (1963) extended this dualistic analysis further and argued that the urban economy in Third-World countries may be divided into a bazaar and a firm-type economy. The bazaar economy is made up of a series of highly competitive small enterprises which rely on labour-intensive production processes. It is characterized by "economic irrationality and ad hoc exchange, which may be strongly contrasted with the methods of rationalizing production and capital accumulation for further investment and expansion practised by the economy" (Davidson, 1985: 19). Geertz (1963) further argues that irrespective of the development strategy implemented the bazaar economy has grown and developed and has failed to absorb the firm-type economy. Other economists have also reinforced the distinction made by Lewis (1954) and Geertz (1963) by arguing that the urban economy in Third-World countries consists of a capitalist and a peasant system of production, an upper and a lower circuit and a protected and unprotected sector (Tokman, 1978a). The non-capitalist sector, peasant system of production, bazaar economy, lower-circuit and unprotected sector was renamed by Keith Hart (1972) as the informal sector. Hart's (1972) research on urban employment in Ghana contributed positively on the study of the informal sector.

The origin of any dualistic interpretation of the informal sector should be Michael Todaro's model of rural-urban migration (Todaro, 1969: 138). Todaro argues that the rural-urban migration process starts when the migrant leaves the rural area

and becomes employed temporarily in the urban traditional sector on arrival. The urban traditional sector, described by Hart as the informal sector, are those areas of the urban economy which "encompass all those workers (who are) not regularly employed in the urban-modern sector; i.e. (the) overtly unemployed, the underemployed or sporadically employed and those who grind out a meagre existence in petty retail trades and services". (Todaro, 1969: 139) The second stage of this process is when the migrant becomes permanently employed in the modern sector of the urban economy. Todaro's contribution is his recognition that migrants become temporarily employed in the urban traditional sector before securing employment in the modern sector. Todaro therefore, acknowledges that the informal sector in Third-World countries is an initial source of employment and income for the migrant. In his later work he views the traditional sector of the urban economy in an unfavourable light and describes it as "that part of the urban economy of less developed countries characterized by small competitive individuals of family firms, petty-retail trade and services, labour-intensive methods of doing things, low levels of living, poor working conditions, high birth rates, low levels of health and education ...". (Todaro, 1977: 145).

In 1969, Todaro's work on the informal sector was taken a step further by the International Labour Office (I.L.O.) which introduced a world employment programme. The I.L.O. embarked on

intensive research evaluating causes and effects of unemployment on Third-World countries and strategies that can be implemented to alleviate the problem (I.L.O., 1972). Of all I.L.O. missions, the Kenya Mission recognised the importance of the informal sector in dealing with unemployment.

The I.L.O. Kenya Mission Report attributed Third-World underdevelopment to lack of employment opportunities in these countries and argued that development strategies should shift away from growth per se and focus on the provision of employment opportunities. The Report stated that in Nairobi, an estimate of 28% to 35% of the working population were extensively involved in the informal sector. The informal sector was viewed as a provider of employment. Its development therefore deserved greater emphasis. This did not necessarily imply that the I.L.O. Mission argued that informal sector alone was meant to solve the unemployment problems of Kenya. The formal sector was still regarded as having a dominant role to play in this regard. The I.L.O. Mission Report however initiated a change in attitude towards the informal sector which had previously been viewed as backward, labour-intensive and essentially worthless.

What emerged from the dualistic analysis of the informal sector was a perception that the urban economy was divided into a modern and traditional sector and that the interaction between the two sectors was limited to a gradual transfer of labour from the informal sector to the modern sector. Although the informal

sector provides individuals with a potential source of income and contributes to total income and expenditure in the urban economy; it is a transitory dimension of the development process (Hart, 1972).

The dualists' conceptualisation of the economy has been criticised because it failed to expose the full range of linkages that exist between the formal and the informal sector. The following linkages may be identified. Formal sector enterprises sometimes provide working capital and intermediate input for the informal sector (Suchard, 1979). While the informal sector provides a market for the raw materials of the formal sector, it also avails goods and services to the consumer who would otherwise not be in a position to obtain them. (Souza and Tokman (1976); Suchard (1979)) The formal sector may also act as a market for goods produced by the informal sector, although this is not generally true of all informal sector activities.

Chapter 4, provides empirical evidence to illustrate these linkages and thus supports the conclusion reached by Matsetela et al (1980: 8);

What is required instead of a conventional dualist representation is a continuum-type breakdown or analysis that would indicate how certain of the characteristics and functions, as well as linkages, are more applicable than others to the vast range of activities that are normally lumped together under the banner of the informal sector... What is required is a more penetrating analysis and a move away from the typology implicit in polar-opposite models.

1.2.2 The structuralist interpretation of the informal sector:

The failure of the dualists to acknowledge that the modern and traditional sectors of urban economies are not two independent systems, but are inter-twined and functionally related, led to opposition of the dualistic conceptualisation of the informal sector. The emerging alternative frameworks argue that the informal sector should be viewed as an integral part of the urban economy. One approach presents models that counteract the polar-opposite models (see Bromley and Gerry's (1979) model in section 1.1.2). The second approach focuses on the linkages that exist between the informal and formal sectors and their nature.

This section of the Chapter will discuss the latter approach, which states that structural factors in the economy inhibit the growth of the informal sector thus making it dependent and subordinate to the formal sector (Dewar and Watson, 1981).

The underdevelopment of the informal sector may be caused and exacerbated by the nature of the linkages that existed between the two sectors. The question of the nature of the linkages between the formal and informal sectors has been more fully explored by Tokman (1978a); Tokman (1978b) and Bromley and Gerry (1979). Tokman (1978b) observed that the linkages may be of a

benign or an exploitative nature. Both benign and exploitative relations are divided into autonomous and integrated (which is the extent to which they interact with the macro-economy.)

Under benign conditions an autonomous informal sector provides goods and services for lower income groups and is unlinked to the macro-economy. The advantage of this sector under these conditions arises from its contribution to reducing unemployment whilst also decreasing foreign borrowing through the use of labour-intensive production techniques.

Under benign conditions the integrated informal sector's growth depends on its complementary linkages with the formal sector. Tokman (1978b, 1067) supports this argument by stating that the integrated informal sector exports 75% of its products and imports 75% of its consumption. "... such integration is benign since most of the exports are service activities - commerce and domestic services - which are complementary to formal production and are only affected by a gradual technological change. The capacity of accumulation of (this) sector is thus enhanced by its access through...trade flows to the expanding market of the rest of the economy" (Tokman, 1978b: 1067).

This dependence will determine the growth of the economy through evolutionary change.

The benign relationship between the two sectors is questioned by the structuralists propounding the exploitative linkage between the two sectors. "Those that agree that the relationship between formal and informal sectors is exploitative have generally taken as their point of departure the theory of unequal exchange as fundamental to an explanation of regional inequality" (Dewar and Watson, 1981: 38). The exploitative linkages between the two sectors can also be autonomous or integrated. Under conditions of autonomy the informal sector depresses the wage rate in the formal sector by creating a reserve army of the unemployed and also provides cheap goods and services. "The linkages with the formal sector are felt to be controlled by and in the interests of the formal sector. Thus the informal sector experiences a lack of stable access to certain inputs and to markets" (Tokman, 1978b :1067).

The formal sector monopolises and dominates the market by two mechanisms. Firstly, the informal sector has little access to the basic resources of production because these are monopolized and controlled by the formal sector. This limited access restricts the ability of the sector to accumulate capital. Tokman (1978b: 1069) sums up the situation as follows:

The oligopolistic organisation of product markets leaves for informal activities those segments of the economy where minimum size and stability conditions are not attractive for oligopolistic firms to ensure the realization of economies of scale, and to guarantee an adequate capital utilization. The possibilities of expansion of the informal sector are then subordinated to product market access which, in turn, is determined by the oligopolistic firms operating in the formal sector.

Under these conditions the growth of the informal sector is limited and temporary. If the growth of this sector exceeds a certain size then oligopolistic firms will take over.

The informal sector also pays high prices for the inputs used in the production process and in fact charges lower prices for its outputs. The high prices for the inputs are caused by the lack of access to credit facilities by the informal practitioners. Low prices are charged for the informal sectors' outputs because of the nature of their markets. "Because the ability of the informal sector to accumulate is thus limited by its relationship to the formal sector, the ability of the informal sector to grow, or respond to promotional policies is limited, and the sector as whole is said to be involuting" (Dewar and Watson, 1981: 39).

### 1.2.3 The Marxist interpretation of the informal sector:

An important offshoot of the structuralist interpretation of the informal sector is the Marxist contribution. Just like the structuralists, Marxists acknowledge the linkages which exist between the formal and informal sectors. The informal sector is however viewed as comprising marginal activities exploited by the capitalist production process. During the process of exploitation the informal sector provides the formal sector with cheap labour and becomes subordinate to it (Truu and Black, 1980). Marxists stress that "the informal sector possesses no

autonomous dynamic of its own and that the level of possible capital accumulation is constrained by structural factors embedded in the wider social formation" (Rogerson and Beavon, 1982: 250).

Marxists also refer to the informal sector as petty-commodity production. Their main contention is whether petty-commodity production forms a separate mode of production or a form of production existing at the margins of the capitalist mode of production but integrated and subordinated to it (Dewar and Watson, 1981: 39). Petty-commodity production, as a separate mode of production, is viewed as unable to grow and accumulate because it is linked to the capitalistic formal sector. To quote Marx "where it takes root capitalist production destroys all forms of commodity production which are based on either the self employment of producers or merely on the sale of excess products as commodities" (in Dewar and Watson, 1981: 40).

Capitalists are said to suppress the development and growth of the informal sector through the following methods:

- (a) Elimination of competition through the growth of the formal sector from competitive capital to monopoly capital;
- (b) Manipulation of tastes and desires of consumers through advertising and aggressive marketing strategies to conform with the formal sector;

- (c) Encouraging subcontracting; and,
  - (d) Developing advanced and complicated technology at the expense of those with inadequate capital and know-how.
- (Krige, 1985: 55)

Present empirical evidence (see Section 1.3) shows that petty-commodity production is growing and its growth and development is controlled and linked to the capitalist mode of production. Disillusionment with the growth of petty-commodity production, led LeBrun and others away from the endless debate over growth and accumulation of petty-commodity production to a focus on the actual process of transition (in Dewar and Watson, 1981: 23). They view petty-commodity production as being in a continual state of transition towards two poles namely (a) a transition to proletarianization. This is caused by the recruitment of petty-producers, migrants, peasants and the unemployed by industrial capital. Leys (1975b) argues that this recruitment makes petty-commodity production a supplier of cheap labour to be exploited by the capitalist mode of production and (b) a transition behaviour of certain petty-producers towards capitalist modes of production. In this case the petty-producer increases his output and gains access to bank loans through personal relations with management. The link with the capitalist mode of production, whether legally or illegally, contributes to the development of the petty-producer.

#### 1.2.4 Conclusion:

This section of the Chapter has attempted to present an overview on the problems encountered when defining the concept informal sector. The divergent interpretations amongst the theorists are also presented. It is also the aim of this study to evaluate which of these different conceptualisations will benefit the Port Elizabeth informal sector. This will be done in Chapter 7 of the thesis.

The researcher notes at this stage that the ideological gulf between the dualists, structuralists and Marxists attitudes towards the informal sector cannot be easily bridged.

#### 1.3 PROFILE OF THE SOUTH AFRICAN INFORMAL SECTOR:

This section of the Chapter presents a profile of the informal sector in South Africa compared with other research results elsewhere in the world. The profile will be presented under the following sub-headings.

- 1.3.1 Sectoral Division;
- 1.3.2 Sex;
- 1.3.3 Age;
- 1.3.4 Education;
- 1.3.5 Preferences;
- 1.3.6 Enterprises;

- 1.3.7 Migrants;
- 1.3.8 Linkages;
- 1.3.9 Employment Creation;
- 1.3.10 Income and Income Distribution;
- 1.3.11 Capital; and
- 1.3.12 The Extent of the Informal Sector.

#### 1.3.1 Sectoral Division:

A larger percentage of the South African informal sector is in the trade industry than in manufacturing. For example in KwaMashu, Wellings and Sutcliffe (1984: 528) found that 77% of the activities were in retailing and 23% in manufacturing and services, Dewar and Watson (1982: 133) found that 59% were in retailing, 31% in production and 10% in services. In 1985 however Krige (1985: 165) found that 55% of the informal activities in KwaMashu were in distributive activities compared to 34% in production and 11% in services. These results are supported by other informal sector studies. Sethuraman (1981: 102) discovered that in Colombia 63% of informal sector participants were in trade, 20% in services and 5% in manufacturing. Richardson (1984: 31) concluded that this division of the informal sector intensified with increased economic development. At higher levels of economic development, the informal manufacturing sector faced disadvantages. Conversely, the service activities of the informal sector enjoyed considerable advantages.

Another study in Nairobi (House 1984: 281) produced contrary results. House (1984: 281) discovered that 50% of the informal sector participants were in manufacturing and 21% in trade, while 29% were in services industries.

### 1.3.2 Sex:

Female participation in the informal sector was claimed to be high in South African studies. (Rogerson and Beavon (1980); Maasdorp (1983); Nattrass (1984 a & b ) Other studies on the informal sector support the South African results. Sanchez et al (1981) found that 63% of respondents in a study of the informal sector in Corboda were females who participated in low-income activities.

Conversely studies edited by Sethuraman (1981) reported preponderance of males in the informal sector. The Marga Institute in Colombo, for example found that 88% of the entrepreneurs were males. Mabogunje and Filani in Kano also found that there were few women participants in the informal sector.

### 1.3.3 Age:

Conflicting results have been presented in South African studies on age distribution of entrepreneurs. Jacobs (1982: 39) discovered that the average age of informal entrepreneurs in

Mdantsane was 40,8 years. While Beavon and Rogerson (1982: 120) stated that 60% of entrepreneurs were under 20 years, 26% between 21 and 30 years, 28% between 31 and 40 years, 17% between 41 and 50 years, 19% between 51 and 60 years and 4% over 60 years. Contrary to the above findings, Zarenda (1980) found evidence of extensive child labour in Soweto.

Other informal sector studies present interesting results. Bromley (1978b: 1162) stated that 10% of the street-traders in Cali were below 14 years (the legal minimum working age in Cali). Fowler's (1981: 51) study of Freetown discovered that 80% of the informal entrepreneurs were between 15 - 19 years and finally Mazumdar (1976: 675) found a "pronounced selectivity of workers in the informal sector. A disproportionate number of them would be workers outside the prime age group."

#### 1.3.4 Education:

A thorough examination of education levels in the South African informal sector reveals low education levels. Simon (1984: 567) discovered that 32% of the entrepreneurs in the informal sector had no formal education, 28% some primary education, 32% some secondary education, while 8% declined to divulge the required information. Beavon and Rogerson (1982: 120) support these results. They found that 21% of the informal sector had no education, 32% were between Sub A to Std 3, 39% between Std 4 to Std 6, 7% between Std 7 - Std 9, while 1% had matriculated.

These results are supported by Mazumdar (1976: 678), Bromley (1978b: 1162) and Sethuraman (1977: 348).

#### 1.3.5 Preferences:

South African studies on the informal sector conclude that most informal sector entrepreneurs preferred to be in the informal sector (Wellings and Sutcliffe (1984: 517), Maasdorp (1983: 59), Simon (1984: 576).

#### 1.3.6 Enterprises:

Much of the evidence in South Africa indicates that most enterprises operated under 5 years (Simon, 1984: 566), Maasdorp (1983: 59), Beavon and Rogerson (1982: 121).

Other informal sector studies also support these results. An example of this is that in Jakarta only 39% of the enterprises had existed for over 5 years, In Lagos, 34%; In Kumasi, 48% In Freetown, 31% and in Colombo 60% (Sethuraman, 1981: 103 & 105)....

#### 1.3.7 Migrants:

South African Studies have ruled out the possibility of the informal sector being characterised by new migrants (Beavon and Rogerson, 1982: 121). These results are supported by other international studies. House (1984: 284) for an example found

that only 34% of participants in the informal sector were recent migrants. Mazumdar (1976: 671) also concluded that "there is no evidence to suggest that the informal sector plays a predominant role as a point of entry into the labour market for fresh migrants to the urban area".

Conversely, other international studies found that the informal sector consisted mainly of migrants. In Cali, for and example, 75% of the street-traders are migrants (Bromley, 1978b: 1162).

#### 1.3.8 Linkages:

South African studies have shown that the formal and informal sectors have strong linkages (Maasdorp (1983), Jacobs (1982), Simon (1984) and Krige (1988)). In Durban, Maasdorp (1983: 58) discovered that 93% of the informal sector obtained inputs from the formal sector in Durban.

Simon (1984: 564 & 568) supported these results and further concluded that most linkages were tenuous and not exploitative.

#### 1.3.9 Employment Creation:

The ability of the informal sector to create employment opportunities has been rejected by most South African studies. (Dewar and Watson (1982: 124); Simon (1984: 565); Maasdorp (1978: 6); Jacobs (1982: 97) and du Plessis and Levin

(1986a & b) indicated that the majority of enterprises are one person concerns and a very small percentage employs 3 or more persons.

These results are also supported by international studies. (Bromley, 1978b: 1162; Marga Institute (1981: 102); Bujra (1978: 57). In Cali, for an example, Bromley (1978b: 1162) discovered that over 80% of the street-traders were self-employed (1-person concern). 85% of the informal sector businesses, in Colombo, were one person concerns, while only 15% employed one or two persons excluding the owner.

Fowler (1981) suggests that when evaluating the ability of the informal sector to create employment opportunities the informal sector should be segregated into subsectors. He found that, in Freetown non-trade enterprises employed more people than trade enterprises. (Fowler, 1981: 57)

#### 1.3.10 Income and Income Distribution:

According to du Plessis and Levin (1986a), the average earnings of the sampled informal enterprises in Port Elizabeth was R305 per month whilst in Khayelitsha it was R195 per month with a standard deviation of R138 (Erasmus, 1989: 61). Maasdorp (1983: 42) found that 80% of the enterprises received an income of under R200 per month. The informal sector median incomes were also found to be higher than those in the formal sector.

Cross and Preston-Whyte (1983: 10 & 11) found that men's mean income was R118, women's mean income was R65 and 75% of all incomes were below R200 per month.

Kirsten (1988: 392) calculated the weighted average income of informal businesses as R350 per month much higher than other South African studies.

An examination of International studies leads to the conclusion that the informal sector does not have uniformly low incomes (Richardson, 1984). The informal sector is characterised by differences in income between various subsectors. House (1984: 285), for an example, found that manufacturing was more profitable than services (excluding motor repairs). He concluded that the income of at least 42% of the informal entrepreneurs was less than the formal sector minimum wage.

#### 1.3.11 Capital:

The informal entrepreneurs in South Africa needed an initial capital outlay to establish their businesses. Richardson (1984: 25) concluded "Informal sector enterprises rely heavily on internal resources (owners, family and friends) for capital, the lack of credit is a barrier to expansion and they are unable to obtain capital from either the bank or the government in quantities they need at reasonable costs)." Dewar and Watson (1982: 132) found that 48% of the entrepreneurs started with a

capital outlay under R25 and the source of this capital was family savings. Jacobs (1982: 396) reported that only 29% of the undertakings reported an initial capital. The average capital outlay was R395.

#### 1.3.12 The extent of the Informal Sector:

Until recently the extent of the informal sector has been omitted in official statistics thus generating great debate on whether the informal sector contributes to Gross Domestic Product. Researchers have designed various methods to evaluate the extent of the informal sector. This study will provide the results of the researchers. The reliability and acceptability of such methods is outside the scope of this study.

A review of the South African informal sector literature reveals that the extent of the informal is estimated as between 4% and 30% of households (Dewar and Watson, 1981: 60; Thomas, 1987: 253; Morris, 1980: 114). Conversely, Wellings and Sutcliffe (1984: 521) estimated 50% - 60% of households.

The review shows that researchers disagree on whether the informal sector contributes a large proportion to Gross Domestic Product or whether it is a generator of subsistence incomes.

International studies also show great diversity as far as the informal sector's contribution to Gross Domestic Product. In

1975, Weeks, Hanneman and Frey (1985: 76-77) estimated the Swiss informal sector to be between 3% and 4%. While Gutman (1985: 3) estimated the size of the United States of America's informal sector in 1981 as between 14% and 15% of the Gross Domestic Product. A review of the I.L.O. informal sector studies shows that 23-70% of the urban labour force were actively involved in the informal sector.

The difference in the size of the informal sector is attributed to the different definitions used in these studies.

#### 1.4 Conclusion:

The present Chapter has discussed the different definitions and conceptualisation of the informal sector. An overview of South African and Third-World countries data on informal activities has been presented to correlate the theory with empirical evidence. This analysis has highlighted clearly the major issues of debate for the present study.

CHAPTER 2A SOCIO-ECONOMIC PROFILE OF NEW BRIGHTON AND KWAMAGXAKI,  
PORT ELIZABETH2.1 INTRODUCTION:

The purpose of this chapter is to give a brief overview of the socio-economic profile of New Brighton and KwaMagxaki townships in Port Elizabeth. Port Elizabeth is characterised by nine townships namely, New Brighton, Kwazakhele, Zwide, Soweto, Veeplaas, Motherwell, KwaMagxaki, Kwadwesi and Walmer. New Brighton and KwaMagxaki have been chosen due to differences in socio-economic characteristics thus enabling a reasonable comparison of the informal sector. The socio-economic profile will present a vivid picture of the socio-economic conditions under which the informal sector operates.

The profile is based on a survey done by the Employment Research Unit at Vista University. One hundred households were sampled for KwaMagxaki and 447 for New Brighton. The final report on the socio-economic profile of Port Elizabeth townships will be completed in 1991.

The basic unit for which questionnaires were filled-in was the household. A household was defined as "one or more persons who pool their income to buy food, live (eat & sleep) together in one or more houses/huts/units on the same plot and depend financially on another. In most instances, a household will also be a family living in one or more houses on the same plot." (Levin and du Plessis, 1989)

The exclusion of family members who do not eat and sleep together created problems when computing other statistical variables. The necessary adjustments were however made to accommodate excluded family members.

## 2.2 HISTORICAL DEVELOPMENT OF NEW BRIGHTON AND KWAMAGXAKI:

The first black location in Port Elizabeth was New Brighton which was established in terms of the Native Reserve Act of 1902 to accommodate the influx of blacks from rural areas in search of economic development and prosperity.

The first sub-division of New Brighton was known as Red Location. There is a great dispute amongst historians about the historical development of Red Location. Others believe that this township's houses, characterised by wood and iron structures, were barracks built for soldiers during the South African war in 1899-1902 (E.R.U., 1990). Some evidence claims

that land from which this township is built was bought from Dr Galpin and the building of 868 huts took place in 1903. The Ibhayi City Council has recently started an upgrading programme of the wood and iron structures. Residents from Red Location will now be located at Masangwanaville characterised by brick houses with up to date ablution facilities.

White Location, adjacent to Red Location, was established in 1925/26 with 300 houses. A further 188 houses and a single men's hostel were built by 1929.

In 1939, McNamee village was the next major housing development in New Brighton. McNamee was established to curtail the growing number of shack-dwellers in Korsten. Three thousand five hundred houses were built. In terms of the Slums Act of 1934, 20 000 shack-dwellers were forcefully moved to the new sub-division of New Brighton. These houses were much better as they had sanitation and electricity.

After the implementation of segregationist policies in South Africa, racially-mixed communities had to be abolished. This meant that a number of blacks living in areas like South End, Fairview in Port Elizabeth had to be uprooted to racially determined locations. New Brighton was then developed to accommodate these developments. During this period 372 houses were erected in an area called Boastville followed by Emaplangeni. Emaplangeni was a brain-child of Ford Motor

Company (S.A.) which donated wood to Blacks to build temporary housing structures. During 1951-1954 a sub-economic scheme was developed at Elundini to provide housing for people living in Dassiekraal, a slum area of Port Elizabeth.

The next development in New Brighton was Thembaletu with elite houses built in 1953. Finally, in 1975-78, the wooden structures of Emaplangeni were demolished and Ford Motor Company (S.A.) assisted in the erection of 298 middle and upper-income group houses. The upper-income area is now referred to as "Permvil" as building loans were made available by the Permanent Building Society. Housing in the upper-income area was provided under the 99-year leasehold scheme thus establishing a new era in the history of black housing.

KwaMagxaki was developed in 1985 under the 99-year leasehold scheme. It is a new middle to upper income residential area.

The new township is under the jurisdiction of the Cape Provincial Administration. In terms of the Black local authorities Act of 1982, townships under the Cape Provincial Administration will at some stage be transferred to a black local authority.

### 2.3 POPULATION ANALYSIS:

According to Levin and du Plessis (1990: 6), the estimated Port Elizabeth's total population in 1990 was 778 138. Blacks

constitute 58,5% of the total population while the White and Coloured population groups constitute 19,3% and 21,3% respectively (see Table 2.1).

TABLE 2.1

Distribution of the total population in Port Elizabeth

	Whites	Coloureds	Asian	Blacks	Total
Port Elizabeth	150 373	165 358	7 349	455 058	778 138
	(19,3)	(21,3)	(0,9)	(58,5)	(100,0)

(Source: Levin and du Plessis, 1990, Population figures and Economic Trends, Unit for Statistical Analysis.)

The population size of New Brighton and KwaMagxaki are 83 000 and 10 400 respectively (Levin and du Plessis, 1990). According to the Central Statistical Services the ratio of males to females is 52,0:48,0 implying that there are more males than females (in Levin and du Plessis, 1990).

### 2.3.1 Households Per Site:

Table 2.2 shows the number of households per site. The first column shows the number of households. The second column (N1) indicates the number of sites in New Brighton consisting of the number of households listed in the first column and the third column expresses N1 as a percentage of the total. The fourth and fifth columns show similar information for KwaMagxaki.

TABLE 2.2  
Number of Households per Site

Number of Households	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
1	340	89,0	100,0	100,0
2	28	7,3		
3	8	2,1		
4	4	1,0		
5	1	0,3		
6	1	0,3		
Total	382	100,0	100,0	100,0

(Source: Employment Research Unit, 1990, Socio-Economic Study of New Brighton and KwaMagxaki, Vista University.)

The first line of Table 2.2 indicates that all sites in KwaMagxaki (100) have one household while in New Brighton 340 out of 389 sites (89%) have one household. Of some interest in Table 2.2 are sites in New Brighton with four, five and six households.

This analysis indicates that the most affluent township of Port Elizabeth has one household per site while New Brighton is characterised by 1-6 households per site.

### 2.3.2 Household Size and Composition:

Table 2.3. indicates the size and composition of households in New Brighton and KwaMagxaki. The first column shows the number of persons. The second column (N1) indicates the number of households in New Brighton consisting of the number of persons

listed in the first column. The third column expresses N1 as a percentage of the total. The fourth and fifth columns have the same information for KwaMagxaki.

A large percentage (16,6%) of households in New Brighton have 2 persons. Contrary in KwaMagxaki, 30% of the households have 3 persons. The highest number of persons on a site in New Brighton and KwaMagxaki was 20 and 8 respectively.

The average household size in New Brighton is 3,0 for backyard shack, 4,9 for shacks and 6,5 for a developed area. In KwaMagxaki the average size is 3,690.

The mean size of households in shacks and developed areas indicate that New Brighton and KwaMagxaki are characterised by big families. The bigger the household therefore, the more reasonable it is to have more income. The bigger household might look at the informal sector as an alternative source of income.

TABLE 2.3

Size of Households

Number of persons	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
1	47	10,5	3	3,0
2	74	16,6	14	14,0
3	51	11,4	30	30,0
4	62	13,9	28	28,0
5	55	12,3	19	19,0
6	41	9,2	2	2,0
7	48	10,7	3	3,0
8	21	4,7	1	1,0
9	18	4,0		
10	11	2,5		
11	5	1,1		
12	11	2,5		
14	1	0,2		
18	1	0,2		
20	1	0,2		
Total	447	100,0	100	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

2.4 AGE DISTRIBUTION:

Information on the age distribution of households in New Brighton and KwaMagxaki is provided in Table 2.4. The first column indicates the different age groups. The second column (N1) shows the number of persons in each of the age groups and the third column indicates the number of persons of column N1 expressed as a percentage of the number of persons in the sample. The fourth and fifth column show the same information for KwaMagxaki.

A comparison of New Brighton and KwaMagxaki reveals that a large percentage (16,6%) of household members in New Brighton are in the 25-34years category. Contrary in KwaMagxaki 16,5% are in the 35-44years age group. If the cut-off point for the dependent portion of the economy is 19 years then it can be concluded that

- (a) the dependent portion comprises 46,7% and 46,1% in New Brighton and KwaMagxaki respectively.
- (b) the high percentage of dependents implies that there is a need for more income in these households. The informal sector can be considered as an alternative form of employment and generator of income.

TABLE 2.4

Age Distribution of Households in New Brighton and KwaMagxaki

Age	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
1-4	359	13,7	29	7,9
5-9	305	11,6	39	10,6
10-14	275	10,5	58	15,7
15-19	285	10,9	44	11,9
20-24	251	9,6	35	9,5
25-34	434	16,6	51	13,8
35-44	267	10,2	61	16,5
45-54	177	6,8	32	8,7
55-64	143	5,5	11	3,0
65-74	88	3,4	9	2,4
75+	35	1,4	0	0,0
Total	2619	100,0	369	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

## 2.5 EDUCATION:

Table 2.5 and 2.6 illustrate an extremely pronounced level of disparity among New Brighton and KwaMagxaki townships in respect of education levels. In New Brighton, 51,4% of the children were between Sub A-Std 5, 29,3% between Std 6-Std 8 and 19,3% between Std 9 and above. Contrary in KwaMagxaki, 47,2% of the children were between Std 9/above, while only 29,6% were between Sub A-Std 5. (See Table 2.5.)

Table 2.5

Education Profile of Children

Level	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
Sub A-Std 5	345	51,4	47	29,6
Std 6-Std 8	196	29,3	37	18,5
Std 9 & above	129	19,3	75	47,2
Total	670	100,0	159	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

An analysis of the educational qualifications of adults also reveals interesting results. Table 2.6 illustrates that nearly half (43%) of adults in New Brighton had educational qualifications ranging from Std 6-Std 8. However, in KwaMagxaki, 86,5% were between Std 9 and above, 12,9% between Std 6-Std 8 and only 0,6% between Sub A-Std 5.

TABLE 2.6

Education Profile of Adults

Level	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
Sub A-Std 5	403	33,0	1	0,6
Std 6-Std 8	529	43,0	22	12,9
Std 9 & above	303	24,0	147	86,5
Total	1235	100,0	170	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

2.6 TYPE OF OCCUPATION AND INDUSTRY

Table 2.7 and 2.8 analyses the type of occupation and industry for New Brighton and KwaMagxaki. Following the 1985 Census, the ratio of economically-active blacks to non economically-active is 38:62 (in Levin and du Plessis, 1990).

The first column of Table 2.7 shows the different occupations. The second column (N1) lists the number of persons in each occupation for New Brighton and the third column the number of persons of column N1 as a percentage of the number of persons in the sample. The fourth and fifth columns shows the same information for KwaMagxaki.

Table 2.7

Type of occupation of Households

Category	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
Technical	5	1,7	2	1,8
Medical	42	14,0	38	32,2
Teaching	43	14,3	46	39,0
Human Sciences	4	1,3	3	2,6
Sports	4	1,3	0	0,0
Councillor	6	2,0	1	0,8
Management	0	0,0	1	0,8
Administrative	3	1,0	10	8,5
Clerical	32	10,7	0	0,0
Sales	16	5,3	4	3,4
Transport	22	7,3	0	0,0
Communication	7	2,3	1	0,8
Protection Service	6	2,0	10	8,5
Catering	15	5,0	0	0,0
Personal Service	45	15,0	0	0,0
Service Occupation	37	12,3	0	0,0
Agriculture	1	0,3	0	0,0
Artisan	1	0,3	1	0,8
Apprentice	11	3,7	0	0,0
Foreman	0	0,0	1	0,8
Total	300	100,0	118	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

In New Brighton, 15% of households are in personal services, 14,3% in teaching and 14% in medical services. In contrast, in KwaMagxaki, 39% are in Teaching, 32,2% in medical services, 8,5% in administrative and also 8,5% in protection services.

Table 2.8 shows the type of industry of sampled households in New Brighton and KwaMagxaki.

Table 2.8 shows that in KwaMagxaki, 90,7% of the employed households' members work in community and social services, 5,9% in manufacturing and 2,5% in wholesale, retail trade and catering industries. Interestingly, in New Brighton a large percentage (47,5%) also work in community and social services, 25,6% in manufacturing and 15,6% in wholesale, retail trade and catering industries.

Although an examination of Table 2.7 and 2.8 provides an interesting distribution on the type of occupation and industry of New Brighton and KwaMagxaki households' members, the unemployment rate in these townships is 47,5% and 36% respectively. The high rate of unemployment encourages participation in the informal sector as this sector can be viewed as an alternative form of employment.

Table 2.8

Type of Industry of households

Economic sector	New Brighton		KwaMagxaki	
	N1	N1-%	N2	N2-%
Community Services	143	47,5	107	90,7
Manufacturing	77	25,6	7	5,9
Wholesale	47	15,6	3	2,5
Other	34	11,3	1	,9
Total	301	100,0	118	100,0

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

## 2.7 INCOME

### 2.7.1 Heads of Households

The heads of households in New Brighton and KwaMagxaki earn an income from salaries and wages, the informal sector and transfer payments like pensions. These are presented in Table 2.9 and 2.10.

The tables indicate that the mean salary/wage income per head of households in New Brighton and KwaMagxaki was R618,67 received by 242 households and R884 received by 90 households respectively. 9,2% heads of households in New Brighton received an income from informal activities and 30,4% received an income from persons, family remittances e.t.c. Conversely, in KwaMagxaki, 4% received an income from informal activities and 6% from other income sources. In New Brighton, the mean total income per head of household was R467,04 per month which is lower than the Household Subsistence Level of R522 (Potgieter, 1990). This is a mean of households with income greater than zero. There is a case for involvement in the informal sector as only 54% of heads of households earn a salary or wage. In contrast, in KwaMagxaki, the mean total income per head of household was R934,15 per month.

Table 2.9

Monthly Income of Heads of Households In New Brighton

Range	Wage	%	Informal	%	Other	%	Total	%
Zero	205	45,9	406	90,8	310	69,4	48	10,8
R1-R100	4	0,9	15	3,3	6	1,3	13	2,9
101-200	26	5,8	9	2,0	122	27,3	145	32,4
202-300	28	6,2	4	0,9	4	0,9	38	8,5
301-400	29	6,5	2	0,5	1	0,2	31	7,0
401-500	28	6,2	4	0,9	2	0,5	35	7,8
501-600	45	10,1	1	0,2	1	0,2	47	10,5
601-700	14	3,1	2	0,5	1	0,0	17	3,8
701-800	22	4,9	0	0,0	0	0,0	22	4,9
801-900	12	2,7	0	0,0	0	0,0	14	3,1
901-1000	11	2,5	1	0,2	0	0,0	12	2,7
1000+	23	5,2	3	0,7	0	0,0	25	5,6
Total	447	100,0	447	100,0	447	100,0	447	100,0

Mean R618,67 (242) R341,95 (41) R165,04 (137) R467,04(399)

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

Table 2.10

Monthly Income of Heads of Households in KwaMagxaki

Range	Wage	%	Informal	%	Other	%	Total	%
Zero	10	10,0	96	96,0	94	94,0	1	1,0
R1-R100	0	0,0	0	0,0	0	0,0	0	0,0
101-200	1	1,0	1	1,0	1	1,0	3	3,0
201-300	1	1,0	0	0,0	0	0,0	1	1,0
301-400	9	9,0	0	0,0	0	0,0	9	9,0
401-500	9	9,0	0	0,0	0	0,0	8	8,0
501-600	7	7,0	1	1,0	0	0,0	7	7,0
601-700	9	9,0	0	0,0	0	0,0	9	9,0
701-800	12	12,0	0	0,0	1	1,0	13	13,0
801-900	13	13,0	0	0,0	0	0,0	13	13,0
901-1000	13	13,0	0	0,0	1	1,0	14	14,0
1000+	16	16,0	3	3,0	3	3,0	22	22,0
Total	100	100,0	100	100,0	100	100,0	100	100,0

Mean R884,43 (90) R1 327,50 (4) R1 262,00 (6) R934,15 (99)

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

2.7.2 Households

Table 2.11 and Table 2.12 indicate the income of households per month. The average total income of households is 62,1% higher than the average income of heads of households. In New Brighton, 52,4% of households and 89% in KwaMagxaki have an income above the Household Subsistence Level. There is a case for households with an income below the Household Subsistence Level to be involved in the informal sector so as to improve their standard of living. The average total income of households in New Brighton and KwaMagxaki was R752,89 and R1 240,61 respectively.

Table 2.11Monthly Income of Households in New Brighton

Range	Wage	%	Informal	%	Other	%	Total	%
Zero	113	25,3	384	85,9	283	63,4	7	1,6
R1-100	5	1,5	23	36,5	6	3,7	15	3,4
101-200	37	11,1	16	25,4	105	64,0	71	16,1
201-300	32	9,6	7	11,1	39	23,8	49	11,1
301-400	32	9,6	2	3,2	1	,6	33	7,5
401-500	23	6,9	6	9,5	9	5,5	41	9,3
501-600	45	13,5	3	4,8	3	1,8	42	9,5
601-700	14	4,2	2	3,2	1	,6	23	5,2
701-800	26	7,8					29	6,6
801-900	15	4,5					18	4,1
901-1000	21	6,3	1	1,6			23	5,2
1001+	84	25,1	3	4,8			96	21,8
Total	447	100,0	447	100,0	447	100,0	447	100,0

Mean 827,40 (334) R317,14 (63) R213,04 (164) R752,89(440)

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

Table 2.12

Monthly Incomes of Households in KwaMagxaki

Range	Wage	%	Informal	%	Other	%	Total	%
Zero	2	2,0	93	93,0	93	93,0	0	0,0
R1-R100	0	0,0	0	0,0	0	0,0	0	0,0
101-200	0	0,0	1	1,0	1	1,0	0	0,0
201-300	0	0,0	0	0,0	0	0,0	0	0,0
301-400	5	5,0	0	0,0	0	0,0	4	4,0
401-500	9	9,0	3	3,0	0	0,0	7	7,0
501-600	7	7,0	1	1,0	0	0,0	7	7,0
601-700	6	6,0	0	0,0	0	0,0	5	5,0
701-800	11	11,0	0	0,0	1	1,0	11	11,0
801-900	14	14,0	0	0,0	0	0,0	12	12,0
901-1000	12	12,0	0	0,0	1	1,0	12	12,0
1000+	27	27,0	2	2,0	4	4,0	43	43,0
Total	100	100,0	100	100,0	100	100,0	100	100,0

Mean R1100,30 (98) R972,86 (7) R1346,00 (7) R1240,61

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

## 2.8 CONCLUSION

The above analysis shows that New Brighton and KwaMagxaki townships were established under completely different circumstances. The socio-economic profile of the two townships shows the economic conditions under which the informal operates and the economic factors that influence involvement in the informal sector.

The development of the informal sector will be affected to a great extent by the socio-economic conditions of New Brighton and KwaMagxaki.

Table 2.12

Monthly Incomes of Households in KwaMagxaki

Range	Wage	%	Informal	%	Other	%	Total	%
Zero	2	2,0	93	93,0	93	93,0	0	0,0
R1-R100	0	0,0	0	0,0	0	0,0	0	0,0
101-200	0	0,0	1	1,0	1	1,0	0	0,0
201-300	0	0,0	0	0,0	0	0,0	0	0,0
301-400	5	5,0	0	0,0	0	0,0	4	4,0
401-500	9	9,0	3	3,0	0	0,0	7	7,0
501-600	7	7,0	1	1,0	0	0,0	7	7,0
601-700	6	6,0	0	0,0	0	0,0	5	5,0
701-800	11	11,0	0	0,0	1	1,0	11	11,0
801-900	14	14,0	0	0,0	0	0,0	12	12,0
901-1000	12	12,0	0	0,0	1	1,0	12	12,0
1000+	27	27,0	2	2,0	4	4,0	43	43,0
Total	100	100,0	100	100,0	100	100,0	100	100,0

Mean R1100,30 (98) R972,86 (7) R1346,00 (7) R1240,61

(Source: Employment Research Unit, 1990, Socio-economic Analysis of New Brighton and KwaMagxaki, Vista University.)

## 2.8 CONCLUSION

The above analysis shows that New Brighton and KwaMagxaki townships were established under completely different circumstances. The socio-economic profile of the two townships shows the economic conditions under which the informal operates and the economic factors that influence involvement in the informal sector.

The development of the informal sector will be affected to a great extent by the socio-economic conditions of New Brighton and KwaMagxaki.

CHAPTER 3  
RESEARCH METHODOLOGY

3.1 INTRODUCTION:

The present Chapter examines empirical aspects of the thesis.

Chapter 1 shows that there are three major schools of thought within the theory of the urban informal sector namely, the Dualists, Structuralists and Marxists. Although there is lack of unanimity amongst these schools of thought, a number of hypotheses can be derived and tested. These hypotheses are outlined below:

- (a) The informal sector is characterised by a wide diversity of activities and characteristics.
- (b) There is a strong relationship between the formal and informal sectors of the urban economy.
- (c) The informal sector is characterised by institutional and structural constraints.
- (d) The informal sector plays a significant role in the generation of income and employment and should be activated and expanded.

The main aim of the thesis then, was to evaluate the validity of the outlined hypotheses in the sampled townships of Port Elizabeth.

### 3.2 RESEARCH METHODOLOGY:

Before embarking on any research the researcher must identify clearly the methodology to be used. The thesis is a case study of informal activities in some Port Elizabeth townships namely, New Brighton and KwaMagxaki. A case study can be defined as an "empirical enquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used" (Yin, 1984: 23).

The case study method has been chosen because of the following advantages: "(1) inferences are obtained from the study of one or several selected aspects alone, (2) a case study is a description of a real event or situation, whereas a statistical study involves abstraction from real situations, (3) more accurate data (is) obtained, probably as a result of a longer, more intimate association of the researcher and respondent" (Boyd, 1985: 53).

Disadvantages of this method centre around the lack of objectivity and the sampling methods used.

### 3.3 SURVEY DESIGN AND QUESTIONNAIRE:

Empirical research into economic issues usually uses data collected and published by the government or research institutions. At times the kind of information required is not available in these sources, thus necessitating the need to collect that data by fieldwork.

To obtain the relevant and reliable information needed, the survey research approach was adopted. Survey research is "the systematic gathering of information from respondents for the purpose of understanding and/or predicting some aspect of the behaviour of the population of interest" (Dollery, 1983: 138). Survey data is usually gathered in the field either through observation or questionnaire methods. Due to time and cost constraints the questionnaire method was used as it is arguably the most accurate, fastest and most inexpensive form of data collection.

Surveys can be conducted through personal interviews, by telephone or through the post. In order to analyse the advantages and disadvantages of these methods, the criteria suggested by Tull and Hawkins (1977) will be used. These are informational control, sample control and administrative control.

Informational control examines the complexity, volume and accuracy of the information needed. Personal interviews are argued to be the best method when complicated and large quantities of information are needed. The accuracy of the information however seems not to favour any of the three survey methods as they are all characterised by major flaws.

Sample control decides which respondents must be sampled and also ensures that the intended respondent provides the desired information. Neither of the three survey methods provide an advantage as far as sample control is concerned. However, personal interviews ensure that the sampled respondent is in fact the intended respondent.

The last criterion concerns administrative control made up of time and cost constraints which face the researcher. When weighing up these constraints the telephone survey is considered to be the quickest whereas personal interviews have been found to be time-consuming and the most expensive.

For the present study, personal interviews were chosen because they have important advantages. Personal interviews ensure that:

- (a) The person who provides the information is the appropriate respondent;
- (b) The researcher obtains the required information from the respondents;

- (c) The researcher controls the attention given to questions thereby catching any contradictory points;
- (d) The responses to open-response questions are not too excessive or inadequate;
- (e) The order of answering the questions is appropriate; and that; and
- (f) the duration of data gathering is relatively short (Allt, 1972).

The major weaknesses of personal interviews have also been recognised. These are

- (a) Interview studies can be extremely costly;
- (b) Interviews are often lengthy and may require the interviewer to travel;
- (c) The interviewer does not provide the respondent time to conduct research, check records, consult family and friends about facts or to ponder his or her reply;
- (d) The interview offers less assurance of anonymity; and
- (e) Travel costs for interviewing may be exorbitant and may prove impossible (Bailey, 1978).

Great care had to be taken to ensure that some of the major weaknesses do not affect the present research. The researcher in this study did the interviews himself. An additional reason for not using field-workers was that during the pilot study it became evident that there was a "continuous interaction between the theoretical issues being studied and the data being

collected" (Yin, 1984: 56). This interaction required a field-worker who had a grasp of the theoretical issues. "Case study data collection is not merely a matter of researching data in a mechanized fashion. The investigator must be able to interpret the information as it is being collected and to immediately respond if several source of information contradict one another and lead to the need for additional evidence" (Yin, 1984: 57).

### 3. FORMS OF DATA COLLECTION IN PREVIOUS STUDIES OF THE INFORMAL SECTOR:

The use of the survey research method has also been highlighted in other informal sector studies (I.L.O.: 1972), Mazumdar (1976), Maasdorp (1978), Dewar and Watson (1981), Jacobs (1982), Preston-Whyte et al (1984), Wellings and Sutcliffe (1984), Davidson (1985), Krige (1985), Krige (1988). Preston-Whyte et al (1984) noted the following problems in collecting comprehensive quantitative data on the informal sector.

- (a) Permission has to be sought from local authorities to do the fieldwork.
- (b) The researcher has to gain confidence and trust of the sampled respondents.
- (c) Illegal activities are difficult to research as respondents are suspicious on any probe on these activities.
- (d) Respondents are reluctant to divulge information when a formally structured questionnaire is administered.

In the present study problems (b), (c) and (d) were dealt with by requesting extra-parliamentary leaders in the sampled areas to inform respondents about the aims and objectives of the research. Permission was therefore not sought from the local authority .

### 3.5 THE PILOT STUDY:

The pilot study was conducted in New Brighton, one of the sampled townships in Port Elizabeth. It was done so as to ascertain:

- "1. whether the questions as they (were) framed (would) achieve the desired results by obtaining the required information,
2. whether the questions have been placed in the best order,
3. whether the questions (were) understood by all classes of respondents,
4. whether any bias (was) being introduced by the questions themselves or the way in which they (were) put,
5. whether additional or specifying questions (were) needed or whether some questions (were) redundant and should be eliminated, and
6. whether the instructions (were) adequate." (Delens, 1959)

The pilot study was divided into two stages. During the first stage, draft copies of the questionnaires were given to academics for evaluation. The second stage involved pre-testing the actual questionnaire on informal sector operators.

On the basis of the feedback received, the questionnaire had to be redrafted.

### 3.6 THE QUESTIONNAIRE:

Two types of questionnaires (See Appendix A) were used in the field work namely (a) a household questionnaire and (b) a business questionnaire. The process of compiling these questionnaires took approximately two months after consultation with relevant experts in the field.

The household questionnaire was administered to adult members of the sampled households. The first section of the questionnaire was concerned with general information about age, sex, residence status, education and economic status of the respondents. The second section focused on the formal and informal sector employment pattern of the respondents. It dealt with employment experience, occupation, sector of employment, wages and job skills.

The business questionnaire was aimed specifically at informal sector entrepreneurs and was divided into eleven sections.

Section A was an introductory section enquiring about the type of informal activities, the participation of owners in the activities of the business and how the informal business operated.

Section B analysed the employment structure of the informal activity.

Section C dealt with the wage structure and how unpaid workers were reimbursed for services rendered.

Section D computed the income and expenditure patterns of informal activities.

Section E evaluated whether the informal sector operators had basic numeracy and literacy skills.

Section F and G looked at the history and the location of the enterprises.

Section H analysed the operational characteristics of these enterprises.

Section I, J, and K, evaluated the linkages which existed between the formal and informal sectors.

The questions were highly structured and had pre-coded sets of answers. While the disadvantages of this method are well known, the following advantages necessitated the use of structured questions.

- (a) They ensure that respondents answer on the same dimension
- (b) The interviewer can administer them easily.
- (c) They are less expensive to administer and process, and
- (d) They are easier to edit, tabulate and analyse (Luck and Rubin, 1985)

To reinforce the advantages of structured questions as compared to open-ended questions, Prinsloo (1982: 14) argued that "open-ended inquiries may require a greater thought on the part of respondents, greater effort and care in recording responses by interviewers and considerably greater time and skill in categorizing and manipulating responses by the survey analyst ... The interview ... may be lengthier ... and time required to process the results is immense relative to that required for manipulation of pre-coded responses."

The questionnaires were administered at night or during weekends when the heads of households were most likely to be present.

### 3.7 THE FIELDWORK:

The fieldwork was done over a period of 4 months during 1988. Some of the problems encountered were:

- (a) Some respondents were mistrustful towards the researcher as a result of the extensive harassment encountered and other local political reasons;
- (b) Great reluctance to divulge income figures;
- (c) Interruptions to the interviews due to the location of some businesses or the time constraint on respondents; and
- (d) Entrepreneurs who were involved in "illegal" activities and refused to be interviewed.

These problems can be classified into 3 broad categories which normally affect the reliability of surveys namely, sampling errors, survey errors and political factors (Levin and du Plessis, 1989). These were dealt with by revisiting 10% of the sampled households to verify the answers supplied. In the cases where respondents refused to be interviewed, the next site was sampled. When the head of the household was not present, the researcher had to proceed without disturbing the sampling procedure and returned at a later time or date.

The political climate in the townships usually affects the respondents' answers or willingness to participate. This problem was dealt with by requesting political leaders in that particular area to accompany the researcher to eradicate suspicions. Respondents then divulged information willingly and in full confidence.

The processing of data by a qualified programmer eliminated coding and calculation errors.

The manner in which the identified field problems were dealt with validated the results of the survey.

### 3.8 SAMPLING:

The present study is a case study of the informal sector in certain Port Elizabeth townships. The case study method

involved an intensive examination of few units. For the purpose of this study only two Port Elizabeth townships (New Brighton and KwaMagxaki) were chosen. New Brighton is one of the oldest townships in Port Elizabeth characterised mainly by developed and mixed areas (with shacks mushrooming around houses). KwaMagxaki on the other hand is a new black middle-class suburb characterised by developed-elite houses built under the 99-year lease scheme.

These townships were chosen to enable a reasonable comparison as they differ substantially in economic and social respects.

Due to time and cost constraints, it was clear that at most One hundred households could be interviewed. This was deemed to be an adequate sample size given the objectives of the study.

Site maps were used to identify the sites and streets to be randomly sampled in these townships. Each township's site maps was divided into 5 equal blocks of houses. Ten questionnaires were to be completed in each block thus ensuring a wide coverage of both townships. Starting points were identified randomly in each block. The researcher then completed questionnaires at every tenth site as defined by the local authority.

All the household units in the sampled sites were interviewed to identify whether any informal sector activity existed. This provided the basis for an estimate of the extent of informal

estimates in New Brighton and KwaMagxaki. All the household units with informal sector activities were then interviewed. From those households without informal activities however, a sub-sample was selected. The households with informal businesses were given a household and a business questionnaire and those without informal activities were only given the household questionnaire.

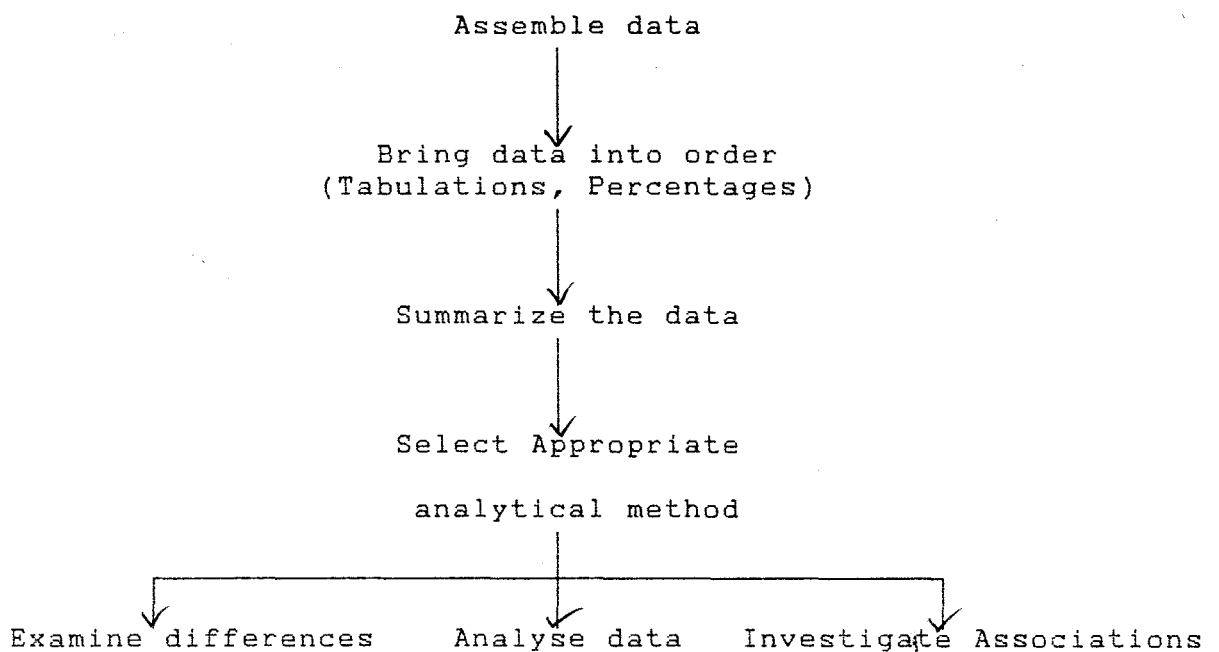
Thirty households with informal activities were identified in New Brighton. Only twenty-five households agreed to be interviewed. A further twenty were chosen randomly from the hundred households without informal activities who were encountered. Twenty-five households with informal activities were also identified in KwaMagxaki while thirty without were chosen randomly from the one hundred and twenty households who did not participate in the informal sector. All in all the sample for the study consisted of fifty households with informal activities and fifty without. The latter served as a control group to assist in identifying the distinctive features of households without informal sector activities.

### 3.9 ANALYSIS OF DATA:

Having gathered the data, the researcher had to convert the data into a satisfactory statistical format. The Statistical Package for the Social Sciences was used for this purpose. This package is "an integrated system of computer programmes designed for the analysis of social science data" (Nie et al, 1975: 1).

Figure 3.1 provides an overview of the data analysis process followed in this study

Figure 3.1  
Overview of Data Analysis Process



The kind of analysis required in this study required the use of non-parametric tests. The chi-square test was then chosen to test whether there was a significant difference between the variables tested in informal activities at 5% level of significance ( $\alpha=0,05$ ).

The Chi-square test for K independent samples requires the arrangement of frequencies in a K x r contingency table, and assumes the null hypothesis that the K samples of frequencies derive from the same or at least identical populations. The null hypothesis was tested via the formula:

$$X^2 = \sum_{i=1}^k \frac{(f_i - F_i)^2}{F_i}$$

Where

$k$  = The number of cells

$i$  = The  $i$ th cell (where  $i = 1; 2; \dots k$ )

$f_i$  = the observed count in the  $i$ th cell

$F_i$  = The expected count in the  $i$ th cell.

In order to ascertain whether the value of Chi-square was significant, the degree of freedom was computed and reference was made to the table of critical values for chi-square. If the value of chi-square was greater or equal to that given in the table, then the null hypothesis would be rejected in favour of the alternative hypothesis.

For the chi-square test to provide a meaningful measure of association, it was argued that "the expected frequencies in each cell should not be too small, where  $df > 1$  fewer than twenty percent of cells should have an expected frequency of less than 5, and no cell should have an expected frequency of less than one" (Dollery, 1983: 194).

The two sets of distributions to be compared in this study are (a) the two sampled townships (New Brighton and KwaMagxaki) and (b) the households without informal businesses and those with such activities.

### 3.10 CONCLUSION:

The present Chapter summarised the research methodology used in the study and the statistical test used to evaluate levels of significance so as to validate the research findings.

CHAPTER 4A Profile of the Informal Sector in New Brighton and  
KwaMagxaki, Port Elizabeth4.1 INTRODUCTION:

The purpose of this chapter is to provide a detailed profile of the informal activities in New Brighton and KwaMagxaki, Port Elizabeth. The information is extracted from the data collected from one hundred households in the sampled Port Elizabeth townships. The results will be presented as follows:

- 4.2 Nature of Informal Activities,
- 4.3 Characteristics of the Informal Entrepreneurs,
  - 4.3.1 Sex Participation,
  - 4.3.2 Age Distribution of Entrepreneurs,
  - 4.3.3 Education,
  - 4.3.4 Residential,
- 4.4 Employment Structure,
- 4.5 Factors Associated with Informal Sector Incomes,
- 4.6 History of the Enterprise,
- 4.7 Registration,
- 4.8 Location,
- 4.9 Sales,

- 4.10 Linkages with the Formal Sector,
- 4.11 Problems encountered in the Informal Sector,
- 4.12 The Extent of the Informal Sector.
- 4.13 Conclusion.

#### 4.2 NATURE OF ACTIVITIES:

The activities of the informal sector were divided into 5 segments in this study, namely: selling, services, transport, manufacturing and construction. However, within selling and services other sub-divisions were identifiable. Selling, for an example, was divided into: food and groceries, fresh-produce, clothes, liquor and building material. On the other hand, services were divided into: repairs, healing, accommodation, beauty and hair-therapy. This classification was in line with that of other informal sector studies (e.g. Maasdorp (1983); Botha and Classen (1985); Krige (1985); du Plessis and Levin (1986a & b)).

Table 4.1 shows that 42% of the business activities in the sample were in the selling sector, 32% offered services, 18% in transport, 6% in manufacturing and 2% in construction. The distribution of business activities indicated that a high percentage of the informal sector was involved in distributive activities as compared to productive activities.

The same results have been discovered in other informal sector studies. (See Section 1.3.1.)

TABLE 4.1

The Distribution of the Informal Businesses  
according to Activity

Nature of activity	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Selling	9	36,0	12	48,0	21	42,0
Liquor					8	16,0
Food & Groceries					5	10,0
Fresh-produce					4	8,0
Clothes					2	4,0
Building Material					1	2,0
Other					1	2,0
Services	8	32,0	8	32,0	16	32,0
Repairs					10	20,0
Healing					4	8,0
Accommodation					1	2,0
Baby-sitting					1	2,0
Transport	5	20,0	4	16,0	9	18,0
Commodities					4	8,0
Commuters					5	10,0
Manufacturing	2	8,0	1	4,0	3	6,0
Construction	1	4,0	0	0,0	1	2,0
Total	25	100,0	25	100,0	50	100,0

Under selling activities, 16% entrepreneurs sold liquor, 10% food and groceries, 8% fresh produce, 4% clothes, 2% sold building materials and the last 2% collected dumped garbage from the dumping site nearer New Brighton and sold it. The selling of liquor, food and groceries dominates the list of activities entrepreneurs undertake because, according to one entrepreneur:

The township has no bottle stores as these were burnt down during the unrest period. Shops are also distant from households. Our businesses were therefore established in order to meet the demand for these commodities.

During the period of the fieldwork, it was observed that from one of the streets at which the study was conducted, shops were about 300 metres away. At KwaMagxaki, there was one shop under construction and residents were therefore dependent on informal businesses for their immediate needs. An important implication of the entrepreneur's statement is that the unrest situation in the townships contributed largely to the development of the informal sector. Future researchers need to evaluate the effect of unrest on the growth of the informal sector.

The entrepreneur who collected garbage sold his collections to township residents and to a local paper manufacturer.

Twenty percent of the entrepreneurs providing services did repair-work, 8% offered healing and fortune-telling services, 2% accommodation and 2% baby-sitting. Under repairs the following activities were offered: Repair of punctured tyres, watch-repairs, electronic (Radio/TV) repairs, repair of exhaust systems, car-repairs, panel-beating, battery-charging, shoe-repairs, and electrical (stoves, fridges) repairs. An interesting discovery under services was baby-sitting which had not been identified by du Plessis and Levin (1986a). This activity was done by a retired woman who argued:

as a retired primary teacher, I was approached by parents in my neighbouring unit to look after their children and give them pre-school lessons whilst the parents were at work. Baby-sitting supplements my retirement income but I think that the pre-school lessons will enable me one day to establish an official, subsidised pre-school. By then I shall be in a position of employing qualified pre-school teachers.

The high percentage (18%) of the transport sector was also noticeable when comparing this figure with 2,08% identified by du Plessis and Levin (1986a). The enormous growth could be attributed to the role of the South African Black Taxi Association (S.A.B.T.A.) in organising taxis in the Black townships. At present, S.A.B.T.A. has a total membership of 45 000 (Tshabalala, 1989). It was however very difficult to obtain information about the local taxi organisations as these are not all affiliated to S.A.B.T.A. In fact, a number of rival taxi organisations were identified and there were also a number of taxi operators who did not belong to any taxi organisation. The present study concentrated on unlicensed taxis which operated illegally in terms of the Road Transportation Act 1977.

Another form of transportation that was identified in the study were delivery-vans. This form of transportation emerged as a result of the refusal by most furnisher shops to deliver furniture in the townships due to unrest-related incidents. Owners of vans have grabbed this opportunity and now operate as a distribution network for the formal sector. Unrest has, in this case, contributed positively towards the growth of the informal sector.

Another noticeable feature in Table 4.1 was the low percentage (2%) for the construction activity. This was surprising, especially in KwaMagxaki because of the massive construction of houses taking place during the period of the research. du Plessis and Levin (1986a: 7) however argue that "the fact that building and construction work require a certain amount of training (and) that Blacks were for many years excluded from such training because of job reservation laws may explain their limited involvement in this sector." The thesis notes that the training programmes offered by the Building Industries Federation of South Africa and the Emthonjeni Training Centre, in Port Elizabeth, might improve the involvement of blacks in this sector.

The division of informal activities in Port Elizabeth was more or less in line with the classification of Black formal sector activities in the same area. However, the black formal sector has now added financial services into its list of activities. (Davies: 1987)

In order to evaluate whether any significant difference existed in the nature of informal activities between the informal sector in New Brighton and KwaMagxaki, the chi-square test ( $\chi^2$ ) was used. The chi-square value of Table 4.2 was 1,8730156 with 4 degrees of freedom at the 0,05 level of significance. Since the chi-square value was smaller than the test statistic value of 9,49, the null hypothesis was accepted. There is therefore, no significant difference in the nature of informal activities in New Brighton and KwaMagxaki.

TABLE 4.2

Chi-square Test of Significance on Nature of Activities

	Selling	Services	Trans- port	Manu- factu- ring	Con- struc- tion	Total
New Brighton	9 (10,5)	8 (8)	5 (4,5)	2 (1,5)	1 (0,5)	25
Kwamagxaki	12 (10,5)	8 (8)	4 (4,5)	1 (1,5)	0 (0,5)	25
Total	21	16	9	3	1	50

The manner in which respondents participate in the activities identified in Table 4.1 was asked in question 6 of the questionnaire. Table 4.3 shows that 80% of the sampled entrepreneurs participated on the informal sector on full-time basis. These enterprises operated throughout the week. Contrary, only 20% operated on part-time basis (i.e. in the evenings or during weekends.)

TABLE 4.3

Participation of Entrepreneurs

Participation	Number	%
Full-time	40	80,0
Part-time	10	20,0
Total	50	100,0

Question 8 elicited information on the weekly operational hours of the identified informal activities. Table 4.4 indicates that a large percentage of the enterprises (64%) operated for more

than 25 hours per week. This ruled out the common belief in the literature that the informal sector is characterised by unproductiveness and disguised unemployment or underemployment.<sup>1</sup>

TABLE 4.4  
Operational Hours of Enterprises

Hours	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
0-24	3	12,0	15	60,0	18	36,0
25-50	4	16,0	6	24,0	10	20,0
51 +	18	72,0	4	16,0	22	44,0
Total	25	100,0	25	100,0	50	100,0

The chi-square test was again used to test the significant difference in the weekly operational hours of the informal sector in New Brighton and KwaMagxaki. At the 0,05 level, a significant difference was apparent.

#### 4.3 CHARACTERISTICS OF THE INFORMAL ENTREPRENEUR:

This section of the thesis presents a profile of the head of the enterprise (i.e. the entrepreneur). The sex, age, education and residential status of the entrepreneurs will be analyzed.

1. Under-employment has been defined as working less than 25 hours per week (Wegelin, 1978: 162).

#### 4.3.1 Sex Participation:

Female participation in the informal sector has been claimed to be high in other South African studies (see Section 1.3.2). The results of this study also supported the preponderance of women in the informal sector. Table 4.5 shows that there were 31 entrepreneurs (62%) who were females and only 19 males (38%). The high percentage of female involvement in the informal sector contradicted the low percentage involvement of females in the formal sector in Port Elizabeth (Levin and du Plessis: 1988).

Of some interest in Table 4.5 are the 2 females (4%) involved in manufacturing activities. This is rather surprising as this activity was normally dominated by males. The females in manufacturing were members of the same household. They describe their involvement in the manufacturing activity.

Our father manufactured burglar proofs and steel gates in the Port Elizabeth area for 20 years. Because there were no boys at home, we were expected to help him after school hours either by welding or delivering finished products. When he died in 1984, a member of the family had to continue with the manufacturing business to make ends meet. We registered at Iqhayiya Technical College for a certificate in welding. We are now qualified manufacturers producing burglar proofs. The death of our father encouraged us to take over. Our involvement was purely accidental.

TABLE 4.5

The Involvement of Entrepreneurs by Sex

Nature of activity	Male		Female	
	N1	N1-%	N2	N2-%
Selling	8	42,1	18	58,0
Services	7	36,8	10	32,3
Transport	2	10,5	1	3,2
Manufacturing	1	5,3	2	6,5
Construction	1	5,3	0	0,0
Total	19	100,0	31	100,0

4.3.2 Age Distribution of Entrepreneurs:

Table 4.6 shows that 4% of the entrepreneurs were in the age group 19 years and younger. A large percentage (80%) were in the age cohorts which are normally considered economically active. The age cohorts which are normally considered above retirement (65 years and older) accounted for 16% of entrepreneurs.

Other informal studies elsewhere present different and interesting results. (See Section 1.3.3.)

TABLE 4.6

The Age Distribution of Entrepreneurs

Age	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
19 and below	2	8,0	0	0,0	2	4,0
20 - 64	21	84,0	19	76,0	40	80,0
65 +	2	8,0	6	24,0	8	16,0
Total	25	100,0	25	100,0	50	100,0

The chi-square test was used to evaluate any significant difference in the age distribution of New Brighton and KwaMagxaki entrepreneurs. The chi-square value for Table 4.6 was 4,1 at 2 degrees of freedom. Using the 0,05 level of significance, a highly significant difference was not apparent.

### 6.3.3 Education:

The education profile of the entrepreneurs will be analyzed using the following categories:

- (a) those entrepreneurs without educational qualifications;
- (b) those with a standard 5 certificate which is a cut-off standard in Black primary schools;
- (c) those with a standard 8; and
- (d) those with qualifications higher than Std 8.

Great variations were evident in the entrepreneurs' formal education. According to Table 4.7, 54 % of the entrepreneurs were in the Std 6-Std 8 category, 24% in the Std 9 and above category, 14% in the Sub A-Std 5 category and 8% had no formal education. The highest qualification was a University Degree.

TABLE 4.7

The Educational Distribution of Entrepreneurs

Education level	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
None	4	16,0	0	0,0	4	8,0
Sub A - Std 5	7	28,0	0	0,0	7	14,0
Std 6 - Std 8	14	56,0	13	52,0	27	54,0
Std 9 - and above	0	0,0	12	48,0	12	24,0
Total	25	100,0	25	100,0	50	100,0

These results are contrary to other informal sector studies which claim that education levels in this sector are low. (See Bromley (1978a) and Davies (1979).)

Of some interest in Table 6.7 is that 8% of the interviewed entrepreneurs (who in this case were all women) had no formal education. These women were involved in the selling of fruit and vegetables and cooked food. When asked how they run the businesses without education one of the entrepreneurs responded: "I manage to run this business that is buy stock, arrangement of petty cash and change from the basic numeracy and literacy skills my family members offered me. These have been very useful and have paid a good dividend."

It would appear that KwaMagxaki entrepreneurs had higher educational qualifications than New Brighton. Table 4.7 shows that a large percentage of entrepreneurs in New Brighton and KwaMagxaki (56% and 52% respectively) were in the Std 6 - Std 8

category. It was however only KwaMagxaki with entrepreneurs in the Std 9 and above category. The chi-square value for Table 4.7 was 23,037036 at 3 degrees of freedom. Since this value is higher than the test statistic, there was a significant difference between the educational distribution of informal entrepreneurs in New Brighton and KwaMagxaki.

#### 4.3.4 Residential Status:

The literature on the informal sector (Todaro (1969); Mazumdar (1976)) states that the informal sector was characterised by migrants who wanted to use this sector as a "springboard" for formal sector employment. This hypothesis has been proved to be true by Bromley's (1978a) study of the street-traders of Cali in Columbia (see Section 1.3.7).

TABLE 4.8

The Residential Status of Entrepreneurs

Residential status	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Permanent	23	92,0	25	100,0	48	96,0
Annually	2	8,0	0	0,0	2	4,0
Total	25	100,0	25	100,0	50	100,0

Table 4.8 refutes these results with regard to the informal sector in New Brighton and KwaMagxaki. It shows that 96% of the entrepreneurs in these townships were permanent dwellers whereas a small percentage (4%) were annual migrants to Port Elizabeth. It is possible that these results may be due to a sample bias as census figures confirm the presence of migrants in Port Elizabeth (E.R.U.: 1990). The results of the sampled respondents were in line with Mazumdar's (1976: 665) later work in which he argues that: "Both the Bello Horizonte and the urban Peru study, in fact, show that the widely expected association between migration and the informal sector activity is relatively weak."

Future research needs to evaluate the origin of the migrants.

#### 4.4 EMPLOYMENT STRUCTURE:

The ability of the informal sector to create job opportunities has been raised in many studies. (See Section 1.3.9.)

Particulars on the number of employees and the number of owner(s) per enterprise are presented in Table 4.9. The average number of employees per enterprise, excluding the entrepreneur, in New Brighton and KwaMagxaki were 0,48 and 0,32 respectively. The average number of entrepreneurs per enterprise were 1,40 and 1,12 respectively.

TABLE 4.9

The Number of Employees and the Number of Owner(s)  
per Enterprise

	New Brighton	KwaMagxaki
Number of enterprises	25	25
Number of employees excluding proprietor	12	8
Number of proprietors	35	28
Average of number of employees	0,48	0,32
Average number of proprietors	1,48	1,12

It can be concluded that the informal sector in New Brighton and KwaMagxaki was characterised by one-man enterprises with no or very few employees. Another interesting discovery in this study was the presence of family members as employees. Family members were either employed on full-time basis or helped out occasionally. They were included in the average number of employees computed for the different enterprises in New Brighton and KwaMagxaki.

The form of remuneration given to family members varied. According to one entrepreneur: "When I started this business, I decided to employ my unemployed brothers and pay them R5 per day irrespective of the number of hours they work." Another entrepreneur claimed: "I do not pay family members any salaries because they stay in my house and I provide food, accommodation, clothes and pocket money for them."

The informal sector's employment potential was very limited considering the empirical results presented so far. The only sectors with an employment scope were manufacturing and the growing transport activity. (See Table 4.10.)

TABLE 4.10

Employment per Activity:

	Number of enterprises	Number of employees	Average number of employees
Selling	21	0	0,0
Services	16	0	0,0
Transport	9	21	2,333
Manufacturing	3	14	4,67
Construction	1	5	5,0
Total	50	40	0,80

4.5 FACTORS ASSOCIATED WITH INFORMAL SECTOR INCOMES:

In order to compute the monthly income of the informal sector, respondents were asked to avail their systems of accounts. Table 4.11 shows that a large number of respondents (40%) did not keep a system of accounts. Sixty percent of the respondents kept a system that was very rudimentary thus creating problems when the income of the enterprises had to be computed. Great care had been taken to validate the results presented in this study.

Table 4.11  
Informal Sector Records

Response	Number	%
Yes	30	60,0
No	20	40,0
Total	50	100,0

The results obtained from sampled entrepreneurs were tabulated in Table 4.12 in terms of the mean monthly income and the range of the incomes of entrepreneurs.

An examination of Table 4.12 indicates the range and mean of entrepreneurs' monthly income. The highest monthly income (R2 500 and R3 000) were in the transport and construction sectors. Of noticeable interest were entrepreneurs offering motor repairs who also recorded a high monthly income (R800).

TABLE 4.12  
The Range and Mean of Entrepreneurs' Monthly Incomes

Activity	Range of Income	Mean
Selling	R 10 - R 500	R 100
Services	R 15 - R 850	R 280
Transport	R500 - R2500	R1200
Manufacturing	R 60 - R 700	R 100
Construction	R100 - R3000	R1800

Future researchers need to compare informal sector incomes with incomes earned in similar sectors in the formal sector as this was outside the scope of this study.

#### 4.6 HISTORY OF THE ENTERPRISE:

It is generally known that an entrepreneur needs four factors of production namely land, labour, capital and management to start any business. Question 47 of the questionnaire asked respondents whether they needed capital to start their businesses. Table 4.13 shows that 96% of the respondents claimed that capital was needed to start their businesses. The other 4% argued that the nature of the businesses prohibited the use of capital during the initial stages of the business. One faith-healer argued: "there's no initial capital needed in my business. I pray for the water that the sick bring and I also do fortune telling using the Bible. The nature of my business prohibits me from buying any inputs for my business."

Table 4.13

#### Capital Needs of Entrepreneurs

Response	Number	%
Yes	48	96,0
No	2	4,0
Total	50	100,0

Table 4.14 indicates that 50% of the respondents that needed capital claimed that the capital was needed to buy stock, 39,6% wanted to buy tools and equipment and lastly 10,4% needed capital for transport purposes.

Table 4.14

Capital Requirements of Entrepreneurs

Reason	Number	%
To buy stock	24	50,0
To buy tools	19	39,6
For transport	5	10,4
Total	48	100,0

Question 50 of the questionnaire elicited information about the source of capital. The resultant information is tabulated in Table 4.15. According to this Table, 95,8% of the respondents that had needed initial capital received their initial capital from the formal sector income and only 4,2% from a developmental agency (the Small Business Development Corporation (S.B.D.C) in this instance).

The small percentage of loans received from the S.B.D.C. is rather surprising if one considers that the S.B.D.C. was established to provide a source of capital for aspiring entrepreneurs in South Africa.

In 1981, a state-sponsored undertaking, termed the Small Business Development Corporation was established to be responsible for stimulating entrepreneurship amongst all racial groups in the South Africa small business sector ... (to provide) financial assistance, in terms of granting direct loans or share capital to viable enterprises, to underwrite or guarantee loans and credit facilities by various financial institutions to small businesses. (Da Silva, 1987: 146)

TABLE 4.15

The Source of Capital of Entrepreneurs

Source	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Formal sector income	25	100,0	21	91,3	46	95,8
S.B.D.C. loans	0	0,0	2	8,7	2	4,2
Total	25	100,0	23	100,0	48	100,0

Besides the Small Business Development Corporation, other developmental agencies such as the Get Ahead Foundation, Mobil Foundation, Get Up Fund and the I.B.M. Projects Fund are also providing capital for aspiring formal or informal small businesses. The Port Elizabeth informal entrepreneurs did not even mention them implying great ignorance about the nature and extent of existing developmental agencies.

The chi-square value of Table 4.15 is 1,1721211 at the 0,05 level of significance showing that there's no significant difference in the sources of capital between the sampled townships.

Table 4.16 presents an outline of why entrepreneurs started informal businesses. According to this table, fifty-four percent of the entrepreneurs started informal businesses so as to supplement formal sector income or wages and 30% viewed this sector as a profit-making activity. One entrepreneur confirmed: "After working in the formal sector for 10 years, I discovered that I was earning more in the liquor business than in formal employment and therefore decided to quit formal employment and earn more money in the liquor business." Ten percent of the sampled entrepreneurs claimed that due to retrenchment and/or dismissal they viewed this sector as an alternative form of employment. A successful shebeen queen argued:

After having been retrenched by Ford Motor company in 1983 and tried for 3 years without success to get a job, I decided, after receiving my pension benefits, to sell liquor. I have, since, made unbelievable profits. I will never seek formal sector employment again because this business is an alternative form of employment for a retrenched worker like myself.

The reason presented by these respondents is interesting considering the high rate of the unemployed who have received their unemployment benefits but have not invested them as indicated by the respondents in this category. If the retrenched or dismissed workers who have received unemployment benefits can consider this alternative, then the chances of surviving after retrenchment or dismissal are very high.

TABLE 4.16

Reasons for Starting an Informal Business

Reason	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Supplement Income	7	28,0	20	80,0	27	54,0
Profit-making Activity	10	40,0	5	20,0	15	30,0
Alternative employment	5	20,0	0	0,0	5	10,0
Ancestral call	3	12,0	0	0,0	3	6,0
Total	25	100,0	25	100,0	50	100,0

The last 6% of the respondents presented a non-economic reason for starting their businesses. They argued that they started their businesses because they had responded to ancestral call. One respondent who is an igqirha<sup>2</sup> recalled how he was called into this business:

As a young boy, I became sick and I had a vision. White doctors could not diagnose nor cure my disease. I was then taken to an igqirha, an elderly man who told me that I should slaughter a cow for my ancestors as they were very angry with me for not responding to the call of becoming an igqirha. After slaughtering the cow, I was healed from my sickness without any medication and I then became a student of the oldman (umkhwetha). I graduated later on into a self-sustaining igqirha and am now practising alone and enjoying the fruits of being in business.

This is an interesting account of how the African culture has been interlinked to the Western Business Culture. The economic survival of this business depends to a larger extent on entrepreneurial skills.

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2. An igqirha is a person who heals the sick using herbs and inspired by ancestors.

Some informal sector studies present the same reasons for the involvement of entrepreneurs in the informal sector. (See Wellings and Sutcliffe (1984).) Detailed case studies in Brazil (Schmitz, 1982b: 155-156) showed that:

probably the single clearest finding which emerges in all 3 case studies is that the small scale producers are not unsuccessful job seekers, but rather the contrary, they tend to be skilled workers who have left their jobs of their own accord ... The respondents find that setting up their own business gives a better chance for economic and social advancement than does wage employment ... The main reason given for leaving a job is low wages. The other reasons are all connected with aspirations for independence.

The chi-square test was again used to evaluate significant differences in the reasons presented in Table 4.16 between New Brighton and KwaMagxaki entrepreneurs. The chi-square value for Table 4.16 is 15,925925 with 3 degrees of freedom at the 0,05 level of significance. This value is greater than the test statistic implying that a significant difference is apparent.

Table 4.17 suggests that the initial capital needed to start a business varies considerably from one business activity to the other. The selling of fruit and vegetables, for an example, has minimal costs of entry as compared to the construction or transport industry.

TABLE 4.17

The Mean Capital Requirement of the Different Activities

Category	Mean
Selling	35,52
Service	150,00
Transport	200,00
Manufacturing	100,00
Construction	300,00

#### 4.7 REGISTRATION:

One of the reasons identified in the literature for the entrepreneurs preferring to be informal is the fear of taxation.

All respondents repudiated this reason and in fact confessed their ignorance about matters relating to taxation and the registration of businesses.

Fifty percent of the entrepreneurs did not register their businesses because of fluctuating profits, 40% preferred to be informal and 10% argued that the whole process of registering a business was long and tedious. (See Table 4.18.) In other words, if the public sector was to eliminate its bureaucracy then this 10% would consider registering their businesses. However, these entrepreneurs were completely ignorant when asked to elaborate more on the bureaucracy alternative they had chosen.

TABLE 4.18

The Reasons for not Registering Businesses

Reason	Number	%
Fluctuating profits	25	50,0
Prefers to be informal	20	40,0
Long and tedious process	5	10,0
Total	50	100,0

4.8 LOCATION:

The informal sector entrepreneurs use a variety of locations for their activities. Table 4.19 presents a detailed outline of how the sampled respondents located their businesses.

TABLE 4.19

The Location of Informal Businesses

	Fixed at home		Fixed locality		Moves around	
	N1	N1-%	N2	N2-%	N3	N3-%
Selling	17	54,8	4	44,4	0	0,0
Services	10	32,3	5	55,6	1	10,0
Transport	0	0,0	0	0,0	9	90,0
Manufacturing	3	9,7	0	0,0	0	0,0
Construction	1	3,2	0	0,0	0	0,0
Total	31	100,0	9	100,0	10	100,0

Sixty-two percent of the entrepreneurs operated from premises fixed at home. These premises were usually an extension of the house made of wood or corrugated iron or garages attached to the house. Twenty percent moved around in wheel-carts and 18% had

fixed localities away from home. These fixed localities away from home usually comprised of roadside stalls or vendors.

In fact, many vendors and hawkers of cooked food sold their products at schools and factories during lunch breaks or at sports fields.

Of the businesses with a fixed location, 98% were in permanent structures. Fifty-eight percent of these structures were attached to the house, 10% were outside near the house and 30% were in a common area in the townships. The most popular common area was Njoli square which is characterised by a number of informal activities. The local authority intends to relocate some hawking activities to Daku square which is about 6km from Njoli Square. According to the Ibhayi City Engineer's department: "Once the project to link the Bramlin Markman Arterial to Daku Road is completed, traffic will increase necessitating redesign of Njoli Square" (Eastern Province Herald: 1989). The report also noted that there was a need for more taxi ranks at the proposed Daku square because it would be the centre of economic activity as Njoli Square is presently.

The chi-square value of Table 4.20 is 11,612903 showing that a significant difference exists between New Brighton and KwaMagxaki at the 0,05 level of significance.

TABLE 4.20

Location of the Informal Sector in New Brighton and KwaMagxaki

Township	Fixed at home		Fixed		Moves around		Total	
	N1	N1-%	N2	N2-%	N3	N3-%	N4	N4-%
New Brighton	11	35,5	9	100,0	5	50,0	25	50,0
KwaMagxaki	20	64,5	0	0,0	5	50,0	25	50,0
Total	31	100,0	9	100,0	10	100,0	50	100,0

#### 4.9 SALES:

Collected data showed that customers were drawn mainly from the areas in which the enterprises were situated. This is in line with Krige's (1985) results which discovered that 82,5% of the respondents sell their products locally (KwaMashu). Entrepreneurs claimed to deal with their customers either on cash or both on cash and credit basis. Eighty percent of the respondents operated on cash basis to both ensure liquidity of the business and because they had had nasty experiences with credit sales which were irrecoverable or very expensive to recover. The other 20% operated on both cash and credit basis. (See Table 4.21) The nature of the informal activities dictated on whether the entrepreneurs should operate on cash or both on cash and credit basis.

TABLE 4.21  
Informal Sector Sales

Reason	Number	%
Cash	40	80,0
Cash and Credit	10	20,0
Total	50	100,0

Table 4.22 indicates that 60 percent of the entrepreneurs claimed that customers buy from them because of an established relationship of trust. This good reputation is a marketing strategy which yields outstanding results. Different entrepreneurs have different strategies to enhance this reputation. According to one entrepreneur: "I have a system of 'amabhaso' (giving extra fruit or vegetables to those who have bought in large quantities). Those given 'amabhaso' definitely inform others and more customers then come and buy here." Another hair therapist, argued:

I give my customers a free-wash and free-hair treatment whenever they come to renew their perm. This entices them to come back to me after about two months. This keeps me in business but most of all the services that I offer are cheap.

Another entrepreneur argued:

My good reputation stems from a system of taking inadequate cash from my customers. I offer discounts during month ends and also provide delivery services using my donkey cart for all big sales.

Thirty percent of the respondents argued that the lack of needed formal sector services in that particular area forced customers to buy from them. In this case, the entrepreneur does not really have any marketing strategy but the forces of demand and supply operate to the entrepreneur's advantage. The last 10% of the entrepreneurs claimed that they got customers by providing pleasure and comfort to customers. A prominent shebeen owner echoed this reason: "I have a well-furnished house for my clients and they buy here because of the comfort I offer them."

TABLE 4.22

Reasons Why Customers Buy from the Informal Sector

Reason	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Relation of trust	15	60,0	15	60,0	30	60,0
Lack of formal services	10	40,0	5	20,0	15	30,0
Comfort	0	0,0	5	20,0	5	10,0
Total	25	100,0	25	100,0	50	100,0

The chi-square test was again used to whether there was any significant difference between New Brighton and KwaMagxaki. At the 0,05 level of significance, a significant difference is apparent.

The above analysis shows that different informal activities use different marketing strategies. There is also correlation between the types of activities and the marketing strategies used.

On the question of whether the informal business charged lower prices than the formal sector, 76% of the respondents claimed that the prices charged were lower than those in formal businesses, 18% claimed that they were not lower and 6% was uncertain. (See Table 4.23.) On investigation, it was discovered that most products classified cheaper, were cheaper because no General Sales Tax was added in the purchase.

TABLE 4.23

Informal Sector Prices

Response	Number	%
Lower	38	76,0
Not lower	9	18,0
Uncertain	3	6,0
Total	50	100,0

4.10 LINKAGES WITH THE FORMAL SECTOR:

The relationship between the formal and informal sectors is analysed in this section of the Chapter. Question 78 and 79 established the sources of the informal sector's inputs. The resultant information is tabulated in Table 4.24.

TABLE 4.24  
Sources of Inputs

Source	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Formal Sector (P.E.)	16	64,0	14	56,0	30	60,0
Township formal businesses	5	20,0	5	20,0	10	20,0
Informal sector	2	8,0	4	16,0	6	12,0
Not applicable	2	8,0	2	8,0	4	8,0
Total	25	100,0	25	100,0	50	100,0

Table 4.24 indicates that 60% of the informal sector bought their inputs from formal businesses in Port Elizabeth than 20% with township formal businesses trading links. A very small percentage (12%) bought from other informal sector businesses.

It can be concluded that the informal sector was dependent on the formal sector for its inputs. Most of the purchases were made beyond the Port Elizabeth townships implying that the informal sector stimulates production and development in the formal sector. The informal sector also provided a market for the goods produced by the formal sector. The formal sector however controls prices and availability of the products. Other South African studies also support the linkages between the formal and informal sectors. (See Section 1.3.8.)

To evaluate whether any significant difference existed between the informal sector in New Brighton and KwaMagxaki with regard to sources of inputs, the chi-square test was used. By using the chi-square test, at the 0,05 level of significance, no significant difference was evident.

Although 80% of the informal sector (see Table 4.24) purchased inputs from formal businesses, none of the sample entrepreneurs sold to formal businesses. (See Table 4.25.)

TABLE 4.25

Informal Sector Customers

Customers	Number	%
Local residents	45	90,0
Formal Business	0	0,0
Informal Business	5	10,0
Total	50	100,0

4.11 PROBLEMS ENCOUNTERED IN THE INFORMAL SECTOR:

Question 54 asked entrepreneurs about the most important difficulty they have faced whilst running the informal business. Table 4.26 shows the results provided by respondents.

TABLE 4.26

Problems in the Informal Sector

Problems	New Brighton		KwaMagxaki		Total	
	N1	N1-%	N2	N2-%	N3	N3-%
Accommodation	18	72,0	7	28,0	25	50,0
Financial Assistance	5	20,0	10	40,0	15	30,0
Legal Restrictions	2	8,0	3	12,0	5	10,0
Lack of Business	0	0,0	5	20,0	5	10,0
Total	25	100,0	25	100,0	50	100,0

An examination of the Table 4.26 indicates that the major problem faced by most entrepreneurs (50%) was lack of accommodation. Thirty percent of the respondents had a problem with financial assistance from financial institutions. It is interesting to note that a small percentage (10%) of the sampled entrepreneurs were restricted legally. The entrepreneurs had problems in acquiring licences for their businesses. The last group of entrepreneurs (10%) claimed that there was lack of business thus exposing their feeling of insecurity in the informal sector.

Recommended policies should consider the appropriate marketing strategy that can be implemented by these entrepreneurs.

Great variations are evident when New Brighton and KwaMagxaki are compared. The chi-square value for Table 4.24 is 11,706666 at 3 degrees of freedom. At the 0,05 level of significance, a significant difference is apparent between the problems encountered by the informal sector in New Brighton and in KwaMagxaki.

#### 4.12 THE EXTENT OF THE INFORMAL SECTOR:

Out of 300 households in New Brighton only 60 had informal businesses. This implies that 23% of households in New Brighton engage in informal activities. In contrast, out of 100 households in KwaMagxaki, only 6 households had informal businesses. The estimate size of the informal sector in KwaMagxaki was 6%.

#### 4.13 CONCLUSION:

The empirical evidence presented so far shows that the informal sector plays an important economic role and policies need to be implemented for the development of this sector. Chapter 7 concludes the study and also recommends policies for the economic development of the informal sector.

CHAPTER 55.1 INTRODUCTION:

A descriptive analysis of the informal sector is presented in this Chapter by outlining 4 case studies. The case studies will put more flesh on the rather general profile of the informal sector and the various circumstances in which the Port Elizabeth informal sector operates.

5.2 CASE STUDY 1:

Miss T. a 40 year-old unmarried woman who was born and bred in Port Elizabeth is the owner of a shebeen in New Brighton. She left school after having passed Standard 8 with a first class because her father was against the education of females as they would get married later on, thus throwing his investment away. She is staying in an eight-roomed house surrounded by two and three roomed houses. The house was extended in 1980 to accommodate more customers and to provide storage for her stock. The living room is divided into a section with an expensive leather lounge suite and another with a modest lounge suite. The distinction between these two sections has been attributed

to the different categories of customers which visit her. In other words customers which drink expensive liquor are accommodated in the better furnished section of the lounge.

The provision of these facilities has been a profitable marketing strategy for her business.

She has drawn customers with high income and also those who drink expensive liquor thus boosting her profit margin. Miss T. however argues that this marketing strategy has not been implemented at the expense of low-income customers. When she started the liquor business, the low-income customers were the only source of income.

The kitchen is very modern compared to those of neighbouring houses. The cooking for the household and customers takes place in this kitchen. Miss T. argues that she had to modernise her kitchen due to the type of customers who bought cooked food from her business. She saw an opportunity to diversify by selling food to her customers while they were drinking at her shebeen.

At the back of the house is a shack which stores empty liquor bottles which are sold to the local bottling company.

The shebeen was established in 1976 to supplement formal income. At that time Miss T. was employed by Ford Motor Company as a tea-girl and was paid R100 per month. She needed an amount

of R30,00 to buy the initial stock of the business. During the initial stages the business operated after working hours and during weekends. These hours changed as the business became popular and there was greater demand for her services. She then engaged the services of her unemployed sister to look after the business during the day. Miss T. argued that the profitability of the business prompted her to resign from the Ford Motor Company and to participate on full-time basis.

The stock of the shebeen is purchased from Solly Kramers liquor store and South African Breweries on cash basis. She usually hires a bakkie from rent-a-bakkie for the transportation of her stock. She claims however that South African Breweries sells liquor to her at a discount thus enabling her to sell liquor at a cheaper price than competitors. She was very reluctant to divulge any further information about this special arrangement with South African Breweries.

Miss T. has 5 employees who are paid R40,00 per week. They are expected to work shifts which coincide with the trading hours of the business. The employees in this business were recruited from the Transkei by her cousin. She argued that by employing rural employees she was able to keep her wage bill down. The educational qualifications of her employees range from Standard 2 to Standard 5. Two of the employees had worked as domestics and the other three had no working experience. All the employees in this business have been given basic training on customer service and business skills.

During the week, the business hours are 8am to 11pm. However weekends have no specified hours as the opening and closing times are determined by the customers. Her two children are expected to assist and are usually given pocket money for their services rendered. She does not rely heavily on their assistance. She claims that their assistance depends solely on whether they are prepared to help as "they cannot be pushed around under conditions of excessive pressure." They attend school in New Brighton and are both in Standard 8.

Monthly income of about R3 000 is used to pay rent and electricity bills, salaries and to buy stock. Twenty percent of the monthly income is usually kept in a special savings account. The monthly income varies because the business sells on cash and credit basis. Credit sales are however offered only to those customers with a good credit record.

Customers come to her because she sells beer very cheap and also provides comfortable accommodation. The researcher also observed that she also sells expensive liquor e.g. brandy, whisky etc. in small quantities to those customers who cannot afford the price of a full bottle. The total price of the small quantities exceeds the selling price of a full bottle.

Miss T. has identified a number of problems which affect the development of her business. She claimed that the refusal of the liquor board to grant her a trading licence has retarded the

possibility of converting the shebeen into a tavern. She is a member of the local Shebeen\_Owners\_Association and hopes that the demand by this Association for deregulation will be taken up to the highest possible level in government circles.

Her second problem centred around irrecoverable debts. Previously, she used forceful measures to collect debts but this method had to be terminated at the request of extra-parliamentary politicians. At some stage in fact she had to appear in a "peoples court" for taking the law into her hands. She maintained that she had to sell on credit as this was one of the major sources of revenue.

Other problems facing this business are purely of a personal nature. They range from the inability of Miss T. to be a full-time parent to the exposure of her children to immoral acts by some of her clients. These personal problems have influenced her to locate the liquor business away from her home.

### 5.3 CASE STUDY 2:

A widow, Mrs M, provides a contrast to the selling activities of Miss T. Mrs M. came to Port Elizabeth 30 years ago from the Transkei to join her husband who was then working for the tyre industry. The lack of education and residential permit discouraged her from looking for a job. She then decided to sell fat-cakes to supplement the income of her husband. The

subsequent death of her husband reduced the family income considerably. She was forced to expand her business to make up for this loss. In addition to fat-cakes she is now selling milk, paraffin and sweets. The diversity in the products sold in this business shows how the entrepreneurs are prepared to risk and also to expand their markets for survival.

The stock of this business was purchased from Mandla's Ultra Market, a formal business in the township. She chose this supplier because it sold stock in bulk and at a good price. A hired donkey-cart is used for transportation of her stock from the supplier to her house.

She lives in a two-roomed shack since 1980 with three grandchildren abandoned by their parents (her children). The last time she heard from her matriculated children was in 1980 when they were working in Johannesburg. Two of her three grandchildren were at primary school and the third one had to drop-out from school to assist her grandmother who cannot travel long distances anymore.

This elderly lady sells from home and one of her grandchildren is expected to sell fat-cakes at schools, factories, sports-grounds and hospitals on cash basis. The dough is usually prepared overnight and the fat-cakes are baked in the early hours of the morning to be ready by 5am. She claims that her

grandchild usually comes back from the marketplace at 6pm but the business operates until 10pm. While the grandchild is away the elderly lady is expected to serve near-by customers.

One of the major problems for this entrepreneur is the competition she is faced with. On some occasions her grandchild brings back unsold fat-cakes which are a waste. She attributes the success of the business to the cheap price of her fat-cakes and also their quality. She also maintains that without the support of her grandchild the business could not be performing as it is. She said "the drive and initiative that this child has, will ensure that the business survives even when I'm dead."

There was no estimate of the monthly income as she did not keep records. The researcher was however assured that there was enough profit made "to keep the wolves away from her door."

Another problem of Mrs M's business is inadequate infrastructure to meet customer demands. She said that due to lack of electricity she has been unable to satisfy the demand for refrigerated products. This has encouraged most of her potential customers to buy from operators with a wider variety of products.

#### 5.4 CASE\_STUDY\_3:

The empirical evidence in Chapter 4 showed that the informal sector was characterised by few entrepreneurs in the construction activity. Mr Q, a 38 year-old artisan, is one of those entrepreneurs. He resides in an elite residential area called Permvil<sup>1</sup>le, characterised by well-built and spacious houses. His house is well-built with expensive furniture. In his lounge there is a display of achievement certificates from the local technical college and from his employer.

He joined Murray and Roberts, a building company, in 1976 as an apprentice after qualifying at the local technical college. He claimed that because of his diligence, he was promoted to the position of Personnel Administrator in 1980. In 1983 he decided to start a construction business after having been encouraged by friends and neighbours to do construction work for them ranging from plastering, alterations and even building new structures.

The construction business operated only during weekends as he had a full-time job. Ten part-time workers were employed at R2 per hour. All these workers were employed by Murray and Roberts on full-time basis.

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1. See Chapter 2 for the historical overview of this area.

While he was an apprentice at Murray and Roberts, Mr Q. learnt that good quality workmanship brought success in the building industry. This principle motivated him to employ only qualified masons when he had to do large construction projects.

Family members were extensively involved in the business. Clients arranged with his wife for the administrative side of the business. His two sons were expected to assist so that they could start learning the building business. The eldest son has registered for a technical certificate at the local technical college, whilst the younger one is at school in Standard 7. Their father hopes that their involvement will thus ensure the survival of the business in the long-run.

All the building materials are usually purchased from a building materials company called Penny Pinchers on a cash and credit basis. The wife keeps a record of all the activities of the business. Mr Q. was very reluctant to divulge the monthly income of the business but assured the researcher that it was profitable. His expensive life-style gave outward appearance of the profitability of the business. The monthly income of the business was kept in a separate savings account.

Fluctuation of profits have made full-time participation in this business very difficult, especially during boom periods when Mr Q. finds it very difficult to keep up with the demands of his full-time and part-time work.

A problem facing this business is the lack of proper administrative skills as the wife is a school teacher with no commercial background. The employment of a full-time secretary has been considered but was not viable due to fluctuations in profits.

Mr Q's future plans were based on the need to consider other profitable forms of business. He intended to diversify into the transport industry by using his trucks productively when they were not needed for the building business.

He has secured a contract with a furniture company to deliver furniture to residents of black townships.

#### 5.5 CASE STUDY 4:

Mr M, a 50 year-old man, arrived in Port Elizabeth from Peddie in the early 60's to look for employment. He worked at Aberdare Cables for 15 years, as a labourer, until he became very sick and was bed-ridden. His relatives took him back to Peddie where he was taken to different medical doctors who failed to diagnose his ailment. Whilst at Peddie, he dreamt of his grandfather who told him that the illness was caused by his refusal to be an iggirha. In the dream, he was told to visit a man 100km away from his village where he would be cured and given lessons on how to diagnose and cure patients.

Ever since that visit, Mr M. became a fully-fledged iggirha<sup>2</sup> and practised in Port Elizabeth as he was told in the dream. Consultations take place in his bedroom but the grinding and mixing of medicine is done in a shack. A chalk-board hangs over the main entrance of the house and spells out in detail the services offered by Mr M. He claims that customers pay 50% of the consultation fees and the rest is paid out if there is any improvement in the patient. This has made him very popular in the townships. His clients include well-known white farmers and businessmen who have been helped on numerous occasions.

This kind of business has flexible working hours. Family members are expected to assist in the preparation of medicine or handling of sick patients without remuneration. Mr M. claims that he has 4 other assistants whom he classifies as students.

They are expected to clean the consultation rooms and attend most consultation sessions. Although these students assist in running the business they do not receive any remuneration. Mr M. argues that the training they get will, as he puts it, "make them millionaires" after graduation.

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2. The definition of an iggirha is presented in Chapter 4.

The main problem faced by the igqirha is the lack of accommodation. He also claims that he digs medicine 800km away from Port Elizabeth and has to hire a neighbour's car for this purpose.

He does not keep any records as he claims that this is not a business but a service offered for the benefit of the people. The quality of his furniture, the clothes he wears and the car he drives would indicate that he is making a fortune out of this activity. He confirmed that he does not bank consultation fees but keeps them in a safe.

#### 5.6 CONCLUSION:

From the above case studies it can be concluded that:

- (a) The informal sector is characterised by a wide diversity of activities which differ in many respects.
- (b) Informal activities operate from different locations.
- (c) There are different reasons for establishing informal businesses. Miss T. started her informal business to supplement formal income and Mr M. on the other hand had no economic reasons for starting the business.
- (d) The informal sector has an inter-linking relationship with the formal sector. Stock is purchased from the formal sector, transportation is provided by the formal sector and formal sector skills are used for the survival of the business.

- (e) The informal sector is characterised by self-employment and the employment of family assistants and other employees.
- (f) The operational hours of the businesses vary depending on the nature of the informal activity.
- (g) Operators use different strategies to market their products ranging from cheap sales to a good reputation for quality workmanship.
- (h) The informal sector is characterised by regulation, fluctuation of profits, inadequate accounting procedures and lack of accommodation. These problems need to be addressed for the growth and development of the informal sector. (See Chapter 7.)

CHAPTER 6COMPARISON OF HOUSEHOLDS WITH INFORMAL BUSINESSES  
AND THOSE WITHOUT6.1 INTRODUCTION:

The household questionnaire (See Appendix A) was designed to compare households with informal activities and those households without. The head of the household provided all the required information.

The chi-square test was selected as the most appropriate statistical measure to evaluate whether there was any significant differences between households with informal businesses and those without.

6.2 HOUSEHOLD ANALYSIS:

The composition of households with the informal activities and those without is presented in Table 6.1. An inspection of this Table shows that both households dominate the 4 - 6 persons

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1. Section 2.1 presents a definition of a household.

category. The chi-square test will however determine whether there is a significant difference between the households compared in this Chapter.

In this instance the null hypothesis would hold that there is no relationship between household composition and involvement in the informal sector. The alternative hypothesis states that such a relationship exists.

TABLE 6.1  
Composition of Households

No. of members	Type of household				Total N3
	Households without		Households with		
	N1	N1-%	N2	N2-%	
1 - 3	12	4,0	18	9,0	30
4 - 6	285	95,0	172	86,0	457
7+	3	1,0	10	5,0	13
Total	300	100,0	200	100,0	500

The value of the chi-square obtained from Table 6.1 is 13,4481 with 2 degrees of freedom at the 0,05 level of significance. The test statistic for this Table is 5,99. Based on this finding, the null hypothesis is rejected. It can therefore be concluded that there is a relationship between household composition and involvement in the informal sector.

The average size of households without and with the informal sector were 5,2 and 4,9 respectively. These averages compare favourably with the averages in New Brighton and KwaMagxaki. (See Section 2.3.2.)

### 6.3 AGE DISTRIBUTION:

Table 6.2 shows the age distribution of households with and those without informal businesses. Households with and those without informal businesses dominated (33% and 38,5% respectively) the 5-19 years category. These results compare favourably with those presented in Table 2.4. (See Section 2.4.)

The chi-square test was again used to evaluate any correlation between age distribution and informal sector involvement. At the 0,05 level of significance, there was no age distribution difference between those households with informal activities and those without.

TABLE 6.2

Age Distribution of Households with and  
without Informal Businesses

Age distribution	Type of household				Total
	Household without		Household with		
	N1	N1-%	N2	N2-%	
<1	3	1,0	1	0,5	4
1 - 4	32	10,6	13	6,5	45
5 - 19	99	33,0	77	38,5	176
20 - 34	83	27,7	61	30,5	144
35 - 49	50	16,7	31	15,5	81
50 - 64	21	7,0	10	5,0	31
65+	12	4,0	7	3,5	19
Total	300	100,0	200	100,0	500

#### 6.4 EMPLOYMENT STATUS:

The relationship between the involvement of households in the informal sector and their employment status was also investigated. The null hypothesis holds that there is no difference in the employment status of households with informal activities and those without. The alternative hypothesis holds that such a relationship exists.

TABLE 6.3

Employment Status of Households with Informal Businesses  
and those without

Employment Status	Type of household				Total
	Household without		Household with		
	N1	N1-%	N2	N2-%	
Unemployed	76	25,3	82	41,0	158
Full-time	122	40,7	58	29,0	180
School	54	18,0	37	18,5	91
Retired	48	16,0	23	11,5	71
Total	300	100,0	200	100,0	500

Table 6.3 shows the employment status of households without informal activities and those with. A large number (40,7%) of members of households without informal businesses were employed on a full-time basis, whereas 25,3% were unemployed, 18% were at school and 16% were retired. Only 29% of members of households with informal businesses were employed on full-time basis. Forty-one percent of members of these households were unemployed.

The chi-square value of Table 6.3 is 15,585462, at 0,05 level of significance which exceeds test statistic of 7,81. A significant difference in the employment status of households with informal activities and those without exists.

6.5 OCCUPATION:

Table 6.4 indicates the occupation structure of employed members of the sampled households. Sixty-eight percent of employed members of households without informal activities were in unskilled jobs, 18,9% were apprentices, 8,2% were clerical and only 4,9% were professionals. Households with informal activities compared favourably. A large percentage (67,3%) were unskilled, 17,2% were apprentices, 8,6% were clerical and only 6,9% were professionals. Different results are presented in Table 2.7 with regard to New Brighton and KwaMagxaki. The difference may be attributed to under-reporting and to the size of the sample.

The chi-square test was again used. At the 0,05 level of significance, there is no significant difference between the occupation structure of households with informal businesses and those without.

TABLE 6.4

Occupation Structure of Employed Members of Households with and those without Informal Businesses.

	Type of household				Total
	Household without		Household with		
Occupation	N1	N1-%	N2	N2-%	N3
Professional	6	4,9	4	6,9	10
Clerical	10	8,2	5	8,6	15
Apprentice	24	18,9	10	17,2	34
Unskilled	83	68,0	39	67,3	122
Total	123	100,0	58	100,0	181

### 6.6 SEX COMPOSITION:

An examination of Table 6.5 shows that in both categories of households, females constitute a large percentage of 50,5% and 55,7% respectively. These results differ with those in Section 2.3 due to under-reporting and the sample size.

TABLE 6.5

Sex Composition of Households

	Type of household				Total
	Household without		Household with		
Sex	N1	N1-%	N2	N2-%	N3
Male	133	44,3	99	49,5	232
Female	101	55,7	101	50,5	268
Total	300	100,0	200	100,0	500

The chi-square value of Table 6.5 is 1,2880102 at 1 degree of freedom at the 0,05 level of significance was used to evaluate whether there was a significant difference in the sex composition of the sampled households. The test statistic for this specification is 3,84 greater than the chi-square value of 1,2880102. This implies that there is no difference between the sexual composition of households with informal activities and those without.

### 6.7 EDUCATION:

The education profile of the sampled households is presented in Table 6.6. It is noted that 21,5% of the members of households with informal businesses had no formal education, 43,5%'s qualifications were between Sub A and Standard 5, 30% in the Standard 6 and Standard 8 category and the last 5% in the Standard 9 and above category.

TABLE 6.6

Education Profile of Households with Informal Businesses  
and those without

	Type of household				Total
	Household without		Household with		
Education	N1	N1-%	N2	N2-%	N3
None	45	15,0	43	21,5	88
A-5	145	48,3	87	43,5	232
6-8	77	25,7	60	30,0	137
9 & Above	33	11,0	10	5,0	43
Total	300	100,0	200	100,0	500

The members of households without informal businesses also dominate (48,3%) the Sub A-Std 5 category. Fifteen percent of these members had no education, 25,7% were in the Std 6-Std 8 category and 11% in the standard 9 and above category. Table 2.5 and Table 2.6 present different results with regard to New Brighton and KwaMagxaki.

In order to evaluate whether there's a significant educational difference between households with informal activities and those without, the chi-square test was also used. The chi-square value for Table 6.6 was 8,9066452 with 3 degrees of freedom. At the 0,05 level of significance, no educational differences between households with informal activities and those without existed.

#### 6.8 INCOME:

TABLE 6.7

The Income of Households with Informal Businesses  
and those without Informal Businesses

Income (Rand)	Household without informal sector activities %	Household with informal income excluded %	Household with informal income included %
0- 522	68,0	60,0	32,0
523-1 044	24,0	32,0	50,0
1 045-1 566	6,0	8,0	16,0
1 567+	2,0	0,0	2,0
Total	100,0	100,0	100,0

Table 6.7 shows that 68% of households without informal businesses were living below the Household Subsistence Level which is "assessed as a bare minimum for survival and an income below this indicates a real struggle for survival" (Krige, 1985: 151). The Institute for Planning Research at the University of

Port Elizabeth has calculated the Household Subsistence Level for a black family in Port Elizabeth to be R522 (Potgieter, 1990). Sixty percent of those with informal businesses were below the Household Subsistence Level when their income from informal businesses was excluded.

Column 3 of Table 6.7 shows that when income from informal activities was added the results presented above were adjusted significantly. Only 32% of households with informal businesses were now found to be below the Household Subsistence Level. This implies that the addition of the informal income significantly improved the standard of living of these households.

The chi-square test has been used to evaluate whether there is a difference between the income of households with informal activities and those without when the income of such activities have been excluded from the households with informal activities. The chi-square value for this comparison is 1,8998 with 3 degrees of freedom at the 0,05 level of significance. The critical value is 7,81 implying that there is no significant difference in the income of these households when the income of informal activities is excluded. When the income from informal activities is included in the income of structure of households with such activities the Chi-square value is 13,318 with 3 degrees of freedom at the 0,05 level of significance. The test

statistic is 7,81 implying that there is a significant difference in the income structures of these households when informal income is included.

This analysis shows clearly that the informal sector plays an important role in boosting the economic position of households with these activities. It therefore contributes positively towards the well-being of such households.

#### 6.9 CONCLUSION:

The Chapter provides a comparative analysis of households with informal businesses and those without. The chi-square test is used to evaluate any major significant differences between the sampled households.

From the comparative analysis of these households, the following conclusion was reached:

- (a) There is a relationship between household composition and involvement in the informal sector.
- (b) There is no education distribution difference between households with informal businesses and those without.
- (c) There is a difference in the economic status of sampled households.
- (d) There is no difference in the occupation structure of sampled households.

- (e) There are no educational differences between households with informal businesses and those without informal businesses.
- (f) There is no difference in the sexual composition of households with informal businesses and those without.
- (g) There is no difference in the income of households with informal businesses and those without when the income of the informal sector is excluded.
- (h) There is a significant difference in the income structure of sampled households when informal income is included.

CHAPTER 7CONCLUSION AND POLICY RECOMMENDATIONS7.1 INTRODUCTION:

The primary objective of this study was to test the following hypotheses:

- (a) The informal sector is characterised by a wide diversity of activities and characteristics.
- (b) There is a strong relationship between the formal and informal sectors of the urban economy.
- (c) The informal sector is characterised by institutional and structural constraints.
- (d) The informal sector plays a significant role in the generation of income and employment and should be activated and expanded.

In this Chapter, the main findings and policy recommendations are highlighted.

On the theoretical level, this study has shown that the informal sector is a difficult concept to define thus reiterating Moser's (1984: 142) view that researchers and policy-makers have applied the term informal sector in many different and confusing

circumstances. Existing definitions are either based on factors external to the sector (Mazumdar (1976); Bose (1984)), on the character of enterprises (ILO, 1972) or on a continuum of activities (Bromley and Gerry, 1979).

The present study has formulated a working definition based on how black communities perceive the informal sector, thus showing that the analytical definitions used in theoretical studies on the informal sector are not necessarily suited to empirical research. Future researchers should note that a clear and understandable definition would contribute extensively towards avoiding divergence on the informal activities.

Another theoretical contribution of the empirical evidence is the rejection of the dualistic and Marxist interpretation of the informal sector. The dualistic conceptualisation of the informal sector (Lewis (1954); Geertz (1963); ILO (1972); Hart (1972) and Todaro (1969)) is rejected as it divides the urban economy into two separate, distinct, independent economies which are totally not inter-linked. Empirical evidence (see Table 4.22) shows that the informal sector in New Brighton and Kwamagxaki has backward linkages indicating the integration of this sector into the formal sector. "Backward linkages show the extent to which (the informal sector) obtains its inputs from markets beyond its borders" (Krige, 1988: 179). The dualistic interpretation of the informal sector should therefore be

abandoned in favour of an approach which analyses the nature of the linkages that exist in an economy characterised by an economic continuum. The informal sector is viewed as being at the lower-end of the economic continuum maintaining close interlinking relationships with the formal sector. Positive policies are recommended for the stimulation of the informal sector thus counteracting any structural impediments on the growth of this sector.

The Marxists, on the other hand, view the informal sector as representing a form of underdevelopment and exploitation. It represents a peripheral or marginal activity in the world system of capitalist production whose main function is to supply the formal sector with cheap labour. Truu and Black (1980: 16) further argue that in the Marxist view "the informal sector possesses no autonomous dynamic of its own and that the level of possible capital accumulation is constrained by structural factors embedded in the wider social formation." The thesis rejects this conceptualisation completely and argues that the informal sector has a potential to grow economically thus generating adequate income and self-employment opportunities irrespective of the mode of production. (See Section 4.4 & 4.5.) A total transformation of the capitalist society is therefore, argued not to be a pre-requisite for the implementation of positive developmental policies.

Lastly, the existing theory fails to acknowledge that the informal sector is a household decision-making process. This is borne out by the number of household members involved in the informal sector on full-time basis or occasionally. (See Section 4.4)

Existing models analyze the informal sector in terms of individuals or enterprises. Future researchers therefore, need to develop a household decision-making model for the informal sector.

## 7.2 SUMMARY OF FINDINGS:

The important findings of the present study with regard to the hypotheses investigated are as follows:

- (a) A higher percentage (42%) of the informal sector is involved in distributive than in productive (8%) activities.
- (b) Women comprised 62% of the informal sector. Male participation dominated the construction and the repair activities.
- (c) A large percentage of the informal sector are economically active members of the economy. (See Table 4.6.)
- (d) Education levels in the informal sector are relatively high. For example, 56% of the entrepreneurs in New Brighton were between Std 6-Std 8 and 48% in KwaMagxaki were between Std 9 and above. (See Table 4.7.)
- (e) The informal sector is characterised by one-man businesses with few employees. Some of the employees are family members. (See Table 4.9.)

- (f) There was no trace of migrants in the informal sector. (See Table 4.8.)
- (g) Sixty percent of households with informal activities were below the Household Subsistence Level when informal income was excluded. However, the inclusion of informal income dropped the percentage to 32%. The informal sector has therefore alleviated conditions of poverty in the sampled townships.
- (h) The informal sector is characterised by backward linkages. (See Table 4.24.)
- (i) Considerable inequalities exist within the informal sector. Those entrepreneurs in transport and construction earn higher income than those in selling. (See Table 4.12.)
- (j) The informal sector is characterised by a number of problems. (See Table 4.26.) Lack of accommodation however dominates.
- (k) Twenty-three percent of the sampled households were involved in the informal sector.

### 7.3 POLICY RECOMMENDATIONS:

The position taken in this study with reference to theoretical issues and the results presented so far indicate that policies need to be recommended for the stimulation of the informal sector.

The recommendation of positive policies towards the informal sector does not necessarily negate the political problems which inhibit the development of this sector. The study acknowledges the need for long-term programmes to restructure the South African economy however in the short-term programmes need to be implemented for the development of the informal sector which will empower Blacks economically.

Black economic empowerment is sometimes viewed as a strategy being used by capitalists to co-opt blacks and create a Black middle class which will be supportive of the capitalist system. Other theorists argue that Black economic empowerment is a process by which Blacks are enabled to participate in the economic mainstream of South Africa.

The thesis identifies with the latter view and recommends the following policy measures:

- (a) the establishment of an informal sector development agency;
- (b) the provision of better accommodation facilities;
- (c) the encouragement of linkages between formal and informal sectors; and
- (d) the implementation of deregulatory measures.

### 7.3.1 Establishment of an Informal Sector Development

#### Agency:

Most of the existing development agencies in Port Elizabeth provide assistance to both formal and informal sectors. Although this is the case, this study recommends the establishment of an informal sector development agency which will look specifically at the development of the informal sector in Port Elizabeth.

The agency should:

- (a) design an appropriate entrepreneurial skills programme to equip entrepreneurs fully. The necessity of this programme is borne out by the discovery in this study that most entrepreneurs practise a very rudimentary book-keeping system which inhibits their ability to draw up cash flow statements and price products profitably;
- (b) provide mentoring for aspiring entrepreneurs. The mentors will be experienced members of the private sector who will not only provide counselling but also ensure that correct managerial practises are applied for the development of the informal business;
- (c) assist informal entrepreneurs in the development of aggressive marketing strategies so as to improve the turnover of the business. On observation the sampled entrepreneurs concentrate on one aspect of marketing. They

canvassed personally for sales either by selling door to door or through the word of mouth. They, therefore, fail to understand that: "Personal advertising entails forsaking the administrative, management and production aspects of the business which the entrepreneur cannot afford to do. Inevitably, this leads to fluctuating turnover caused by an unsustainable marketing effort (Da Silva, 1987: 154). There is a need for the informal sector to implement aggressive marketing strategies;

- (d) provide storage facilities for those entrepreneurs who sell food and fresh produce and also wholesale facilities. The established wholesale will provide stock on credit to the informal entrepreneurs thus enabling them to purchase in bulk; and
- (e) should create a saving system for informal entrepreneurs. Entrepreneurs will contribute a certain percentage of their monthly profits to a fund which will be invested for the benefit of the members. These contributions will also be used for the provision of loans as 30% of the respondents had problems with finances. (See Table 4.26.) The agency must research on possible ways in which loans can be available to contributors.

The provision of finance by the suggested Development Agency is a response to the evidence (Radder: 1988) that financial institutions do not serve the informal sector well. Radder (1988) suggests the following reasons why informal entrepreneurs

do not bother to apply for funds at financial institutions.

- (a) Agencies that provide finances need the assurance that finance advanced to entrepreneurs will be repaid as agreed upon. To ensure repayment, financial institutions insist that security is provided. Most informal entrepreneurs do not have any security.
- (b) The interest rate charged on loans granted to the borrower burdens the informal entrepreneurs. The interest rate charged is normally based on the market-rate.
- (c) The entrepreneur is sometimes expected to draw up financial statements for the previous financial year before certain loans are granted. Most informal entrepreneurs are incapable of drawing such statements or cannot afford the services of a qualified accountant.
- (d) The credit worthiness of the entrepreneur is also considered. Most informal entrepreneurs do not have any credit references thus making it impossible for them to be granted loans.
- (e) The tedious process of filling in application forms and, as is sometimes expected, motivating the application discourages most informal entrepreneurs.

The suggested Agency should provide a better alternative which will eliminate the above-mentioned problems.

### 7.3.2 Accommodation:

Table 4.26 shows that lack of accommodation is still a problem for many informal entrepreneurs although small factory units, carts and business containers have been provided by existing development agencies.

The entrepreneurs that move around need carts for the protection of their stock and also to ease their movements. However, great care should be taken because informal entrepreneurs are generally reluctant to pay if carts are available on rental basis. This implies that the private sector must provide carts under their small business development scheme to a controlling agent and insist that in return the informal entrepreneur sells the private sector's products. Any profits made from the sale of these selected products must be donated to the development agency suggested in section 7.3.1 which will then monitor the provision of many more carts.

There is also a need to build market stalls at identifiable areas in the townships. However, Werlin's (1974: 207) warning needs to be considered: "The city Council's insistence that all small businesses work within approved market stalls is unrealistic in as much as it fails to take into account the nature of the informal sector. Many Africans simply cannot afford to pay sufficient rent to cover the cost of stalls." It is the duty of the development agency suggested in this study to look at ways and means of solving this problem.

### 7.3.3 Sub-contracting:

The role of the private sector in the development of the informal sector has been discussed in terms of the linkages that exist between the two sectors. However, this study has shown that the informal sector does not sell its product to formal businesses. (See Table 4.23.) This problem can be overcome by encouraging sub-contracting which will provide better markets for informal sector activities. The position adopted in the thesis with regard to sub-contracting does not necessarily negate the problems identified in the literature on this concept. It is understood that sub-contracting:

- (a) subjects the entrepreneur to unreasonable pressures as the entrepreneur struggles to meet the huge demand for his goods and or services; and
- (b) can develop exploitative linkages (see Section 1.3.1) and thus force an informal business to depend on the major contractor for survival (Krige, 1985).

It is the duty of the suggested Developmental Agency to guide the informal sector so that subcontracting does not become a disadvantage.

### 7.3.4 Deregulation:

Table 4.18 indicated that 10% of the informal sector have claimed that the reason why entrepreneurs do not register their

businesses is regulation. In fact, Case study 1 highlighted the problems shebeen owners have with regard to the licensing of their businesses. The development of black businesses is therefore hampered to a great extent by government policies. These policies can be traced back to the Stallard Commission in 1922 which recommended that Blacks had to reside in South Africa temporarily to provide labour to white industries (Krige, 1988). Black participation in the economy was thus confined to small trading stalls only and formal retail trade was controlled by whites as blacks were temporary residents (Davies, 1972). This contributed to the economic development of whites at the expense of Blacks.

Regulation of black businesses worsened with the introduction of the Bantu (Urban Areas) Act of 1923. Blacks were forbidden to own businesses if needs of the Black community could be supplied by white businesses. This policy was further reinforced in 1963 by the Circular Minutes (Ro A 12/1 - A8) issued to local authorities which stated that: "business rights were to be granted to blacks in black urban areas only where the needs of the residents of these areas could not be served by existing businesses in the central areas of towns, trading rights should only be granted to people who qualified to reside in the urban areas under Section 10(1) (a) or (b) of the Urban Areas Act of 1945; the ownership of more than one business by the same African was not allowed under any circumstances; only businesses dealing in the provision of daily essential domestic necessities

were to be allowed; the further establishment of African companies or partnerships was not to be allowed; local authorities must themselves erect all buildings necessary for trading purposes; Africans were not to be allowed to trade as peddlers, hawkers or speculators in livestock and produce outside their residential areas" (Krige, 1988: 169).

Since then, the government has lifted some of these restrictions by developing central business districts in black residential areas, permitting a range of businesses in the townships establishing partnerships in which blacks could hold 51% and more of shares and granting licenses to very few shebeens in most townships. Although this is the case, the existence of other controls in the local economy, (e.g. allocation of sites by municipalities, licensing regulations, health by-laws,) and macro-economy impeded the development of informal businesses in Port Elizabeth. At the macro-economic level, the Group Areas Act is at the core of the laws impeding the growth of black informal businesses. The Act prohibits black entrepreneurs from selling in racially demarcated areas thus discouraging entrepreneurs from choosing a profitable location. Black entrepreneurs are, therefore, excluded entirely from white areas rich in markets and financial services. Recent concessions given to the licensing of shebeen owners in Port Elizabeth townships and government proclamation on licensing procedures need to be welcomed. However, this study believes that "The answer is not to attempt to legalize what is illegal; or to

formalize what is informal but rather to remove unnecessary restrictions entirely so as to allow for greater flexibility and freedom of operation" (Dewar and Watson, 1981: 105).

There are quite diverse views on this issue amongst Port Elizabeth informal sector groups. Some (Achib, East Cape Taverners' Association, East Cape African Builders Association) favour deregulation but the Port Elizabeth Black Taxis Association is against this concept purely on the grounds that deregulation will open up the market to rich white groups who will dominate and control the market place. The argument presented by the latter group is rejected in this study because of the belief that deregulation ensures free participation by all economic agents without any interference by the state.

The study on the informal sector in New Brighton and KwaMagxaki has provided the characteristics of this sector and how it is linked to the formal economy. As this was a pilot study, a number of issues have still to be investigated further. The policies recommended in this study need to be considered by both the public and private sector as they will, arguably, develop the informal sector in as far as income and employment generation is concerned. They will also contribute greatly to the economic well-being of Black South Africans.

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APPENDIX A



7) IF ON WEEKENDS AND EVENINGS, WHAT IS THE MAIN REASON FOR  
OPERATING DURING THESE PERIODS?

.....

14

8) HOW MANY HOURS PER WEEK DO YOU OFFICIALLY RUN THE BUSINESS?

.....

15-16

**B. WORK FORCE**

- 9) HOW MANY WORKERS WORK ON FULL-TIME BASIS?
- Males .....   17-18
- Females .....   19-20
- 10) HOW MANY WORKERS WORK ON PART-TIME BASIS?
- Males .....   21-22
- Females .....   23-24
- 11) HOW MANY WORKERS WORK OCCASIONALLY PER MONTH?
- Males .....   25-26
- Females .....   27-28
- 12) DO ALL THESE EMPLOYEES WORK THROUGHOUT THE PERIOD WHEN  
THE ENTERPRISE IS IN OPERATION?
- 1) Yes                      2) No                       29
- 13) DO MOST OF THE EMPLOYEES WORK ELSEWHERE DURING THE DAY?
- 1) Yes                      2) No                       30
- 14) DO THEY WORK IN THE
- 1) formal business
- 2) informal business?                       31
- 15) DOES THE ENTERPRISE EMPLOY ANY CHILDREN?
- 1) Yes                      2) No                       32

C. WAGES

16) HOW MUCH ARE FULL-TIME WORKERS PAID PER MONTH? (IN RANDS)

Males .....    33-35

Females .....    36-39

17) HOW MUCH ARE PART-TIME WORKERS PAID PER MONTH? (IN RANDS)

Males .....    40-42

Females .....    43-45

18) ARE THERE ANY ADULTS WHO WORK WITHOUT RECEIVING ANY WAGES?

1) Yes                      2) No                       46

19) HOW MANY? .....   47-48

20) WHY ARE THEY NOT PAID?

.....  49

21) ARE THERE ANY CHILDREN WHO WORK WITHOUT RECEIVING WAGES?

1) Yes                      2) No                       50

22) HOW MANY? .....   51-52

23) WHY ARE THEY NOT PAID?

.....  53

24) HOW ARE THE UNPAID WORKERS REIMBURSED FOR SERVICES RENDERED?

.....

.....  54

25) DO YOU PAY WAGES?

1) Daily

2) Weekly

3) Monthly

4) Irregularly

5) Other (specify) .....  55

26) WHY DO YOU PAY WAGES AS INDICATED IN QUESTION 25?

- 1) Fluctuation in profits
- 2) Request from workers
- 3) Follow formal sector pattern
- 4) Other (specify) .....

D. INCOME AND EXPENDITURE

27) DO YOU KEEP A SYSTEM OF ACCOUNTS?

- 1) Yes                      2) No

57

28) IF YES, WHAT SYSTEM OF ACCOUNTS DO YOU KEEP?

.....

58

29) DO YOU USUALLY SEPARATE HOUSEHOLD ACCOUNTS FROM THE BUSINESS?

- 1) Yes                      2) No

59

30) FILL IN LAST MONTH'S INCOME AND EXPENSES OF THE BUSINESS.

CARD NO 2

Income: .....

.....  60-63

Expenses:

Rent .....

				64-67
--	--	--	--	-------

Water/Electricity .....

				68-71
--	--	--	--	-------

Stock .....

				72-75
--	--	--	--	-------

Raw Materials .....

				76-79
--	--	--	--	-------

Transport .....

				80-83
--	--	--	--	-------

Machinery Repairs .....

				84-87
--	--	--	--	-------

Salaries .....

				88-91
--	--	--	--	-------

Stationery .....

				92-95
--	--	--	--	-------

Other .....

				96-99
--	--	--	--	-------

Total Expenditure .....

				100-103
--	--	--	--	---------

Profit .....

				104-107
--	--	--	--	---------

31) DO YOU KNOW THAT INCOME - EXPENSES = PROFIT OF THE BUSINESS?

- 1) Yes                      2) No

108

32) IS THE PROFIT INDICATED IN QUESTION 29 THE USUAL MONTHLY

PROFIT OF THE BUSINESS?

- 1) Yes                      2) No

109

33) HAS THERE BEEN AN

1) Increase

2) Decrease

9) n.a.

110

34) WHAT IS THE CAUSE OF THE CHANGE IN THE PROFIT OF THE BUSINESS?

Increase .....

111

Decrease .....

112

E. EDUCATION

35) CAN YOU ADD, SUBTRACT AND MULTIPLY?

- 1) Yes                      2) No

113

CAN YOU READ PROPERLY?

- 1) Yes                      2) No

114

CAN YOU WRITE PROPERLY?

- 1) Yes                      2) No

115

36) WHERE DID YOU ACQUIRE THESE SKILLS?

- 1) through courses offered by the firm  
2) through adult education  
3) at school  
4) through correspondence  
9) n.a.

116

37) CAN YOU DRIVE?

- 1) Yes                      2) No

117

CAN YOU COOK PROFESSIONALLY?

- 1) Yes                      2) No

118

CAN YOU REPAIR CARS AND MACHINES?

- 1) Yes                      2) No

119

CAN YOU CHARGE BATTERIES?

- 1) Yes                      2) No

120

CAN YOU DO PLUMBING?

- 1) Yes                      2) No

121

CAN YOU DO CARPENTRY?

- 1) Yes                      2) No

122

CAN YOU DO PAINTING AND GLAZZING?

- 1) Yes                      2) No

123

CAN YOU REPAIR PUNCTURED TYRES?

- 1) Yes                      2) No

124

DO YOU HAVE ANY DRESSMAKING SKILLS?

- 1) Yes                      2) No

125

DO YOU HAVE ANY TAILORING SKILLS?

- 1) Yes                      2) No

126

DO YOU HAVE ANY BUILDING SKILLS?

- 1) Yes                      2) No

127

DO YOU HAVE ANY WELDING SKILLS?

- 1) Yes                      2) No

128

DO YOU HAVE ANY ELECTRONIC SKILLS

(i.e. RADIO/TV REPAIRING SKILLS)?

- 1) Yes                      2) No

129

DO YOU HAVE ANY ELECTRICAL SKILLS

(i.e. STOVES, FRIGES, IRONS, WASHING MACHINES, ETC.

REPAIRING SKILLS)?

- 1) Yes                      2) No

130

DO YOU HAVE ANY WATCH REPAIRING SKILLS?

- 1) Yes                      2) No

131

DO YOU HAVE ANY SHOE REPAIRING SKILLS?

- 1) Yes                      2) No

132

DO YOU HAVE ANY SHOE MAKING SKILLS?

- 1) Yes                      2) No

133

DO YOU HAVE ANY BOOK-KEEPING SKILLS?

- 1) Yes                      2) No

134

DO YOU HAVE ANY SELLING SKILLS?

- 1) Yes                      2) No

135

DO YOU HAVE CONFIDENCE WORKING WITH MONEY?

1) Yes

2) No

136

38. DID YOU ACQUIRE THIS/THESE SKILLS

CARD NO 3

whilst doing a formal sector job

1) Yes

2) No

9) Never worked before

137

through courses offered by the firm

1) Yes

2) No

9) Never worked before

138

from supervisor/boss

1) Yes

2) No

9) Never worked before

139

from relatives

1) Yes

2) No

140

through a technical college

1) Yes

2) No

9) Never attended

141

through adult education

1) Yes

2) No

9) Never attended

142

through a technical training centre

1) Yes

2) No

9) Never attended

143

39) HOW IMPORTANT ARE THE SKILLS THAT YOU ACQUIRED FROM THE  
FORMAL SECTOR JOB TO YOU?

1) very important

2) unimportant

3) indifferent

144

40) DID YOU LEARN ANY OTHER SKILLS FROM RECENT FORMAL SECTOR JOBS?

1) Yes

2) No

9) n.a.

145

41) WHAT SKILLS DID YOU LEARN?

1) Reading and writing skills

2) Commercial skills

3) Manual skills

- 4) Scientific knowledge
- 5) Specific practical skills
- 6) Don't know
- 7) Other (specify) .....
- 9) n.a.

14

42) SINCE LEAVING SCHOOL HAVE YOU ATTENDED  
a course at a Technical College?

- 1) Yes
- 2) No

14

a course at a Technical Training Centre

- 1) Yes
- 2) No

14

an Adult Education Centre

- 1) Yes
- 2) No

14

a Management Skills Training Programme

- 1) Yes
- 2) No

15

43) WHICH SKILLS ARE USEFUL IN YOUR BUSINESS?

- 1) Reading and writing skills
- 2) Commercial skills
- 3) Manual skills
- 4) Scientific knowledge
- 5) Specific practical skills
- 6) Don't know
- 7) Other (specify) .....

15

44) ARE THE SKILLS LEARNT IN THIS/THESE INSTITUTIONS USEFUL IN  
YOUR BUSINESS?

- 1) Yes
- 2) No

15

45) WOULD YOU LIKE TO GO  
to a Technical College

1) Yes                      2) No

153

to a Technikon

1) Yes                      2) No

154

to a University

1) Yes                      2) No

155

to an Adult Education Centre

1) Yes                      2) No

156

Other (specify) .....

157

46) DO YOU THINK THAT THE SKILLS YOU HAVE WILL HELP YOU GET A  
JOB IN THE FORMAL SECTOR?

1) Yes                      2) No

158

F. HISTORY OF THE ENTERPRISE

47) DID YOU NEED ANY MONEY/CAPITAL TO START THE BUSINESS?

- 1) Yes                      2) No

I59

48) HOW MUCH DID YOU NEED?

(In rands) .....

I60-I63

49) WHAT DID YOU NEED IT FOR?

- 1) To buy stock
- 2) To pay rent
- 3) For transport
- 4) To pay wages
- 5) To buy tools/equipment
- 6) Other (specify) .....
- 9) n.a.

I64

50) WHERE DID YOU GET THAT MONEY/CAPITAL FROM?

- 1) Formal sector wages
- 2) Savings
- 3) S.B.D.C. loans
- 4) Banks/Building Society's loans
- 5) Informal sector wages
- 6) Urban Foundation loans
- 7) Other (specify) .....
- 9) n.a.

I65

51) WHAT WAS THE MAIN REASON FOR STARTING AN INFORMAL BUSINESS?

ANY TWO.

- 1) Can earn more in this business than in the formal sector
- 2) To supplement formal sector income
- 3) Lack of employment in Port Elizabeth

- 4) Due to dismissal or retrenchment views this sector as an alternative form of employment.  166
- 52) HOW LONG HAVE YOU BEEN OPERATING THIS BUSINESS?  
(In years) .....  167-168
- 53) HOW DID YOU CHOOSE THIS BUSINESS? .....  
.....  169
- 54) WHAT WAS THE MOST IMPORTANT DIFFICULTY IN ESTABLISHING THIS BUSINESS?
- 1) Cash to buy stock
  - 2) Cash to buy equipment
  - 3) Accommodation
  - 4) Availability of water/electricity
  - 5) Legal restrictions
  - 6) Qualified workers
  - 7) Lack of business
  - 8) Other (specify) .....  170
- 55) SINCE THE INCEPTION OF THE BUSINESS, WHAT DEVELOPMENTS CAN YOU HIGHLIGHT IN THE BUSINESS?
- 1) Improvement of the physical structure
  - 2) Improvement in production
  - 3) Growth in sales
  - 4) Employment of more workers
  - 5) Offering new products and services
  - 6) None
  - 7) Other (specify) .....  171
- 56) DO YOU OFTEN USE FORMAL SECTOR EARNINGS TO HELP WITH YOUR BUSINESS?
- 1) Yes
  - 2) No  172

57) WHAT DO YOU USE TO KEEP YOUR BUSINESS RUNNING?

- 1) Earnings from the business
- 2) Formal sector wages
- 3) Informal sector wages
- 4) Assistance from relatives
- 5) Other (specify) .....

173

58) DO YOU THINK LICENSING THIS BUSINESS IS A PROBLEM?

- 1) Yes
- 2) No

174

59) EXPLAIN .....

175

60) DO YOU THINK PAYING TAXES IS FAIR?

- 1) Yes
- 2) No

176

61) IS THIS BUSINESS REGISTERED?

- 1) Yes
- 2) No

177

62) IF THE BUSINESS IS NOT REGISTERED; DID YOU NOT REGISTER THIS BUSINESS SO AS TO AVOID TAXATION?

- 1) Yes
- 2) No

178

63) WHAT ARE THE OTHER MAIN REASONS FOR NOT REGISTERING THIS BUSINESS?

- 1) Fluctuating profits
- 2) Lack of finance to buy stock
- 3) Governmental red tape
- 4) Lack of skilled manpower
- 5) Other (specify) .....

179

IF YOUR ENTERPRISE IS MANUFACTURING, SELLING, IN CONSTRUCTION, AND/OR OFFERING A SERVICE:

ANSWER THE FOLLOWING QUESTIONS:

G. LOCATION

64) WHEREABOUT IS THE INFORMAL BUSINESS LOCATED?

- 1) Fixed at home
- 2) Fixed locality away from home
- 3) Moves around
- 4) Fixed at a rented structure

I80

65) IF THE LOCATION OF THE BUSINESS IS FIXED: IS THE STRUCTURE WHERE THE BUSINESS IS LOCATED

- 1) Permanent
- 2) Temporary
- 3) Not applicable

I8

66) IF THE STRUCTURE IS PERMANENT

- 1) It is attached to the house
- 2) It is outside near the house
- 3) It is a rented structure
- 4) It is a common area in the township. Specify .....
- 9) n.a.

I8

67) WHY IS THE ENTERPRISE LOCATED IN THE PRESENT LOCATION?

- 1) Proximity to buyers
- 2) Proximity to suppliers of material
- 3) Availability of transport
- 4) Availability of labour-type required
- 5) Where I live
- 6) No other available
- 9) n.a.

I

H. OPERATIONAL CHARACTERISTICS

CARD NO 3

68) IF SELLING WHAT ARE YOU SELLING?

- 1) Fresh produce
- 2) Clothes
- 3) Meat
- 4) Furniture
- 5) Food and groceries
- 6) Liquor
- 7) Jewellery
- 8) Other (specify) .....
- 9) n.a.

I84-I85

69) WHAT MADE YOU TO CHOOSE SELLING? .....

.....

18

70) IF MANUFACTURING, WHAT IS YOUR ENTERPRISE MANUFACTURING?

.....

I87-I88

71) WHAT MADE YOU TO CHOOSE MANUFACTURING?

.....

189

72) IF OFFERING A SERVICE, WHAT SERVICE IS OFFERED BY THE ENTERPRISE?

- 1) Repairs
- 2) Healing and fortune telling
- 3) Advice
- 4) Accommodation
- 5) Baby sitting
- 6) Beauty & hair therapy
- 7) Money lending
- 8) Photography
- 9) Other (specify) .....
- 99) n.a.

I90-I

73) ARE THE PRICES CHARGED BY THE ENTERPRISE LOWER THAN THOSE CHARGED BY FORMAL SECTOR BUSINESSES?

- 1) Yes
- 2) No

19

I. CUSTOMERS

74) HOW DO YOU DEAL WITH YOUR CUSTOMERS?

- 1) Only cash basis
- 2) Only credit basis
- 3) Both

193

75) WHO BUYS MOST FROM THE BUSINESS?

.....

194

76) DO YOU DEAL WITH YOUR CUSTOMERS

- 1) Directly
- 2) Indirectly through other formal business
- 3) Indirectly through other informal business
- 4) Other (specify) .....

195

77) WHY DO THESE CUSTOMERS BUY FROM YOU?

.....

196

J. RELATIONSHIP WITH SECTOR

78) WHERE DOES THE ENTERPRISE BUY ITS STOCK/RAW MATERIALS FROM?

- 1) Formal sector businesses
- 2) Informal sector businesses
- 3) Licensed township businesses
- 4) Does not need to buy them
- 5) Other (specify) .....
- 9) not applicable

19

79) IF YOU BUY YOUR STOCK/RAW MATERIALS FROM FORMAL SECTOR  
BUSINESSES, NAME THEM.

.....

I98

80) DOES THE ENTERPRISE SELL ANYTHING TO A FORMAL SECTOR  
BUSINESS?

- 1) Yes
- 2) No
- 3) Not applicable

I99

**K. TRANSPORT AND ELECTRICITY**

81) DO YOU USE ANY TRANSPORT FOR YOUR BUSINESS?

- 1) Yes
- 2) No

200

82) WHAT ARE THE TWO MAIN USES OF TRANSPORT?

- 1) To deliver products
- 2) To buy stock
- 3) To collect money from debtors
- 4) To sell around
- 5) Other (specify) .....
- 9) n.a.

201

83) DO YOU USE?

- 1) Own transport
- 2) Public transport
- 3) Pirate taxis
- 4) Private taxis
- 5) Other (specify) .....
- 9) n.a.

202

84) DO YOU USE ANY ELECTRICITY FOR YOUR ENTERPRISE?

- 1) Yes
- 2) No

203

85) IS THIS ELECTRICITY

- 1) Supplied by the Municipality
- 2) Self-generated

204

IF IN THE TRANSPORT SECTOR: ANSWER THE FOLLOWING QUESTIONS.

86) WHAT ARE YOU TRANSPORTING?

- 1) Commodities
- 2) Commuters
- 3) Other (specify) .....
- 9) n.a.

205

87) WHAT TRANSPORT IS USED BY YOUR BUSINESS?

- 1) Bicycle
- 2) Motorcycle
- 3) Car
- 4) Bakkie
- 5) Donkey-cart
- 6) Other (specify) .....

206

88) DO YOU DO?

- 1) Local trips
- 2) Outside P.E. trips

207

89) IF DOING OUTSIDE P.E. TRIPS, HOW MUCH DO YOU USUALLY GET FROM LOCAL TRIPS PER DAY?

.....

208

90) IF DOING OUTSIDE P.E. TRIPS, HOW MUCH DO YOU USUALLY GET FROM THESE TRIPS PER MONTH?

.....

209

91) HOW MUCH DO YOU USUALLY SPEND ON PETROL PER MONTH?

.....

210

92) HOW MUCH DO YOU USUALLY SPEND ON OTHER RUNNING EXPENSES PER MONTH?

.....

211

93) AFTER DEDUCTING ALL EXPENSES, HOW MUCH IS USUALLY LEFT FROM MONTHLY TAKINGS?

.....

212

THANK YOU FOR YOUR CO-OPERATION.



